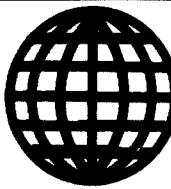


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21 FEBRUARY 1990



JPRS Report—

East Europe

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INTRABLOC AFFAIRS

Political Standing of Hungarians in Soviet Carpathia Discussed

90EC0270A Budapest NEPSZAVA in Hungarian
13 Jan 90 p 12

[Unattributed article: "Real Change Instead of a Semblance of Rights; Debate Over the Situation of Hungarians in the Lower Carpathian Region"]

[Text] At one of its recent meetings the Transcarpathian Regional Committee of the Ukrainian Communist Party discussed the matter of streamlining the nationalities situation. Retired editor in chief of KARPATI IGAZ SZO Laszlo Balla, also a member of the Soviet Writers Association, talked about the deprivation of rights suffered by the Hungarian nationality, and of rights that often amount to semblances only. Balla had an opportunity to experience these kinds of "rights" in his everyday work. For example, not too long ago the independent Hungarian newspaper was prohibited from using the Hungarian names of villages located in the Lower Carpathian region. We are reporting Balla's remarks and the related debate on the basis of a report that appeared in KARPATI IGAZ SZO.

The Hungarian populace of the region and the Lower Carpathian Hungarian Cultural Association were very satisfied to learn that the Ukrainian language has become an officially recognized state language in our republic. We have always taken the position, and we continue to believe, that, even if to only a small extent, we also played a role in accomplishing this. For centuries we have shared good and bad fortunes with our Ukrainian brothers and sisters, and we have never found cause for adversity. This is true because both the Hungarian and the Ukrainian populace were aware of the fact that the grievances suffered by the Ukrainians during the Horthy regime, and those suffered by the Hungarians in the years prior to restructuring, occurred not by the fault of Ukrainians beyond the Carpathian mountains, or of Hungarians in the Lower Carpathian region. The fault rested with Horthyism, Stalinism, and Brezhnevism.

It was not a slip of the tongue when I mentioned deprivation of rights suffered by the Hungarians in times prior to restructuring. True, the Hungarian populace had certain rights, but these were false semblances of rights. They served only to prove that even these rights were granted and guaranteed, because it is true that Hungarian schools have operated beyond the Carpathians. But for many years they did not teach Hungarian literature in these schools, because in the framework of such courses students also learned about Ukrainian literature, a subject which must also be taught, but should most certainly be taught as a separate subject. The way it was taught, our children were unable to learn either the Hungarian or the Ukrainian literature to a full extent.

Until recently, students were not supposed to talk to their teachers in Hungarian. Would this not render the

existence of Hungarian schools a semblance of a right only? An independent Hungarian newspaper has been published in the region ever since 1965, but not too long ago the use of the Hungarian names of villages in this paper was prohibited. And isn't this a false right? And these are some of the reasons why we are pleased with the changes that took place in the years of restructuring. Establishment of the Hungarian Cultural Association has great significance from this standpoint. The fact that we succeeded in resolving many issues jointly with the party and with county organs may be credited to the existence of this association. We chose the chairman of the association well; he labors more than his strength would permit.

Laszlo Balla entered into an argument about what was said about the establishment of a Hungarian nationality sector. That is, a sector like this could be a means of fostering the autonomy of the Hungarian populace and its endeavors to organize itself. The appropriate party and state documents contain grants of such rights, and the Hungarian populace beyond the Carpathians should take advantage of these.

We also experienced serious resistance on the part of area leaders. Here is one example. Our activists began studying the situation of Hungarian schools. They did so to enable them to make appropriate recommendations to party and council organs. We had barely begun our work when the central educational division wrote a letter to the area party committee, asking why they were interfering with their business. But we will intervene in any place where interference is necessary, so that we may jointly resolve the problems. Please get used to that!

Or let us take another fact. Signs showing the Hungarian names of villages appeared along roads at municipal boundaries. Soon after this took place the Uzhgorod [Ungvar] district prosecutor filed a protest, claiming that these signs were inconsistent with a decree proclaimed in 1946. That was the year of the most brutal terror exercised by Stalin. Is it appropriate to make reference to a decree proclaimed in those days? These decrees should be repealed, not enforced!

Incidentally, during the years we are now justly criticizing, road signs at Ukrainian villages were written both in Hungarian and in Russian. Why could the same not be accomplished at present?

A remark by Khenrikh Bandrovskiy: In 1946 they changed the names of settlements beyond the Carpathians consistent with a decree issued by the Supreme Council of the Ukrainian Soviet Socialist Republic. We are taking action consistent with that decree. In no way are we able to establish common grounds with the cultural association. We support your perceptions, but first let us submit specific proposals; let us forward those to the presidium of the Supreme Council so that the Supreme Council may produce the appropriate resolution, and then our actions will be consistent with law.... For once, let us clarify these names, and let us write them

the way they should be written. We have written so many things in Uzhgorod already, who knows what kinds of signs exist there. It is possible that in 1946 they exerted pressure regarding these matters. But why exert pressure at a time when we may resolve these issues by weighing them peacefully?

Laszlo Balla: You did not understand me, Khenrickh Yosipovich. It is not just those villages whose names were changed that are at issue, but also those whose names remained unchanged. Parallel names have existed for centuries; no one changed those, and the Presidium of the Supreme Council proclaimed no decree whatsoever with regard to this matter. And I still do not understand why bilingual signs could not be used.

Khenrickh Bandrovskiy: Why couldn't they be used? But let us sit down together with the executive committee of the district and regional council and let us resolve this problem. No resolution whatsoever is needed for bilingual signs, but in order to change names a recommendation by the regional executive committee is required, one that must be submitted to the Presidium of the Supreme Council of the Ukrainian Soviet Socialist Republic.

Laszlo Balla: The way you reacted when we began commemorating the 45th anniversary of the Hungarian male population's deportation to the Szolyva death camp was incomprehensible to us. That camp was a real Buchenwald insofar as the Hungarians were concerned. There are people who say that nothing like that happened. I witnessed those events; many of my relatives lost their lives in those camps. I escaped only because at that time I was not yet 18 years old. I believe that this date should be recalled; people should be given what they are entitled to. Unfortunately it occurred that certain leaders (I will not mention them by name because I want to point out events, not persons: Anyway, the ones who sit in this room will recognize themselves) convened a meeting and began to assert that commemoration was not appropriate because who knows how many crooks were among them. I will proclaim: There was not a single crook among them, people were deported merely on the basis of their nationality. The crooks should be sought among those who dragged them away.

We talked about the cadres here. Khenrickh Yosipovich appropriately pointed out the fact that at the district level they are not dealing appropriately with cadre selection. On the other hand, Khenrickh Yosipovich was silent with regard to the situation at the regional party committee. For long years there has been one Hungarian working in the apparatus of that committee; at present two persons of Hungarian nationality work there.... One of these is Hungarian only on the basis of his personal identification papers; in reality he does not even speak Hungarian. This served the sole purpose of including the appropriate data in the Ukrainian Communist Party Central Committee's delegate report. It is fair to ask this question: Where are the Hungarian nationality cadres? Surely, there are very few of them. All of us are at fault in this regard—the party, the council organization, and

the Hungarian populace as well. But here I would once again mention Szolyva only, the 1940's and the 1950's, when the Hungarian populace experienced great trauma.

Hungarians did not endeavor to achieve leadership positions; only a few requested admission to the party, moreover Hungarians viewed us, who became activists, with disapproval, and on occasion part of the Hungarian populace still does the same. We must understand this; this is why we must recall the anniversary of the Szolyva events, so that we may remove the splinters that cause inflammation, thereby encouraging an increase in the activities of Hungarians, and the idea that they should join the party and become representatives. In this way we will also have nationalities cadres. Not tomorrow, of course. The Hungarian Cultural association, jointly with party and council organs, will have to labor for a long time, perhaps for decades, to resolve this problem and to change this situation.

Transylvania Activists Seek Genscher's Support

25000601H Budapest NEPSZAVA in Hungarian
10 Jan 90 p 12

[Text] Representatives of Hungarian and western associations concerned with Transylvania made a written appeal to FRG Foreign Minister Hans-Dietrich Genscher, asking that in the course of his Bucharest negotiations he keep in mind the rights of the Hungarian, German, and other nationalities in Romania, and thus also in Transylvania. A recommendation by the FRG foreign minister to the Romanian leadership that a federal system be established would be a great service to the people of Transylvania. The independence of Transylvania, as a state within the federation, would thereby be guaranteed.

GERMAN DEMOCRATIC REPUBLIC

Gysi Interviewed on Personal Traits, Motives
90EG0148A Potsdam MAERKISCHE
VOLKSSTIMME in German 8 Jan 90 p 3

[Interview with Gregor Gysi, chairman of Socialist Unity Party of Germany-Party of Democratic Socialism (SED-PDS), by Dr. Hans-Ulrich Conrad, Horst Sperfeld, and Erwin Wolff at former SED district headquarters in Potsdam, date unknown: "SED-PDS to Deal with Past, Establish Identity"; first paragraph is MAERKISCHE VOLKSSTIMME introduction]

[Text] We were fortunate to have Chairman Gregor Gysi come and speak to us at the first morning pint of beer session at SED-PDS [Socialist Unity Party of Germany-Party of Democratic Socialism] party headquarters which is now open to all. One member of the audience put it in a nutshell. "I have been in the party for a long time," he said, "but I never had a chance to sit so close to my chairman and debate with him." Along with the audience in the two halls of the old district headquarters building (which were not big enough, as was to be

expected), MAERKISCHE VOLKSSTIMME took advantage of the opportunity to talk with Gregor Gysi.

[MAERKISCHE VOLKSSTIMME] Why did you choose Potsdam as the town in which to kick off the election campaign?

[Gysi] I didn't really come here to launch an election campaign which has long since begun. The fact is I was invited to speak with members of my party and, of course, with other citizens as well within the framework of a new type of event—interestingly enough in the form of a morning pint of beer get-together. I wanted to take advantage of that opportunity. I also believe that it is far better at this time not to hold mass meetings which might even be viewed as a great provocation. We have nothing to gain from further aggravating the situation in this country. On the other hand, the party membership is in need of support, especially during the upcoming weeks. One must, therefore, have a dialogue and try to clarify where we are headed and what we want.

[MAERKISCHE VOLKSSTIMME] Do you have a regular pub that you go to?

[Gysi] No. First of all, I don't have enough time for that and second, there are not that many pubs where I live.

[MAERKISCHE VOLKSSTIMME] Where do you live?

[Gysi] In Berlin-Lichtenberg.

[MAERKISCHE VOLKSSTIMME] Do you have a special relationship to Potsdam?

[Gysi] My former wife was from Potsdam. That was bound to create a certain relationship to this city. For another thing, I did my practical studies on Koenigs Wusterhausen. For a time while I was a young lawyer, the Potsdam district was part of my area in a way.

[MAERKISCHE VOLKSSTIMME] In the old days, there would have been pages and pages of coverage if the former general secretary had visited our town. How do you think a newspaper, your party newspaper, should cover your visit?

[Gysi] Let me say first of all that I am not too fond of comparisons. I would rather see things change not just in individual instances but in general. I would like the press to do justice to its mission of reporting objectively on social issues. It must address the problems which concern its readership which is made up of a great variety of people. Since our journalists were expected to toe the line in the past, I am surprised how quickly they learned to adapt to the new freedoms. To be sure, things do get messy at times. I am in favor of truth and openness; but there are two points that have to be kept in mind. One has to evaluate what is truly important and one has to do more careful research. There is no excuse for highhandedly destroying organizations or, what is worse, individuals. For example: spreading rumors cannot be part of a newspaper's mission—although this is happening more and more often nowadays. Obviously, I am in favor of

negative reporting—as long it is true—but it is with respect to such stories in particular that newsworthiness should be taken into consideration.

[MAERKISCHE VOLKSSTIMME] What does a day in the life of the party chairman look like?

[Gysi] I am busy enough. A string of visitors starts coming in by 0900. Although my schedule is carefully worked out, it is rarely possible to stick to it. To some extent, I myself am to blame for that because I usually go into great detail when I talk. Most of the time, this goes on until 1800 or 1900. Then, I am given a number of documents to sign or to read. In order not to sign these papers without studying them, I usually spend until 0200 working on them. Then I go to bed and not long after that the whole business starts all over again. I am simplifying things, of course; but generally speaking that is the way it is. I have no time at present to read any books or professional literature. In other words, I have to take care to keep up with things.

[MAERKISCHE VOLKSSTIMME] Let us talk some more about your personal life. How much mail do you get each day?

[Gysi] I can't really say. My staff kind of protects me from that. Initially, of course, I tried to read everything. But these days, I am told, up to 300 letters come in daily so that I can only read some of them—much less respond to them personally.

[MAERKISCHE VOLKSSTIMME] What is the relationship between the "old apparat" and the reformers or between old and new thinking?

[Gysi] The best I can do is to give you my view on the party executive. I couldn't possibly respond, if you asked me about the lower levels of leadership and the grass roots organizations. With respect to the party executive, let me say that after all there are human beings behind this apparat. Some of them have been doing some serious thinking for a long time about how things could be reshaped in this country. The contradiction between words and deeds was so great that it had long since become apparent to the apparat as well. What I am saying is that there are some who are rethinking in an honest and constructive manner. Then there are those who adhere to discipline but are prepared to do some rethinking. There is a third group of people who are not prepared to do so and even openly admit it. Those who do not come out and say so are the real problem.

[MAERKISCHE VOLKSSTIMME] How does one get the necessary self-confidence; how does one live with the need to keep on answering questions?

[Gysi] Perhaps it has something to do with my real profession. An American once came up with a very good answer to that question. "It is perfectly clear to me," he said. "You have simply taken on the most difficult and most interesting case of your life." That may be a

simplistic way of putting it, but as far as my motivation is concerned, that just about hits the nail on the head.

Gregor Gysi, the SED-PDS chairman, is a man who loves to talk but also to use his hands to make a point. Gysi demonstrated matter-of-factness as well as wit and charm in the relaxed town meeting atmosphere.

HUNGARY

State Secretary Envisions Continuity in Municipal Government

*25000602A Budapest NEPSZABADSAG in Hungarian
13 Jan 90 p 14*

[Interview with Interior State Secretary Dr. Zoltan Gal, by Lajos Bodnar: "Will the Council System Continue To Function?"; date and place not given]

[Text] According to the mandatory provisions of the party law, beginning on 1 January party organizations will no longer be allowed to operate at workplaces within the state administration. Public administration must also adjust to the new situation, to the consequences of political pluralism. It is inconceivable that this adaptation will be able to take place without shocks. How will public administration function during the transition period, in the midst of a sharpening political struggle? This was the topic of our discussion with Interior State Secretary Dr. Zoltan Gal. The most recent developments in Hungarian political life add an unexpected timely character to this matter.

Organizationally Separated

[NEPSZABADSAG] The ripple effects of the Hungarian wiretapping scandal are now being felt. Without trying to get ahead of investigative findings, it seems likely that the Interior Ministry will not get out of this matter without a loss of clout. The following question arises: Was it a fortunate decision to place responsibility for the central direction of the already much criticized council system under the authority of the Ministry of the Interior?

[Gal] It is only natural that these days the so-called Watergate scandal will be part of any conversation. And in discussing the relationship between public administration and party struggles it is virtually unavoidable to touch upon this subject, even though the secret service and, let's say, the council apparatus are vexed by different kinds of problems. In addition to many other things, this case also sheds light on the fact that certain individuals—paying particular attention to the approaching elections—do not intend to leave even the state apparatus out of the political struggle. I feel that with regard to this action, this is one of the forceful motivating factors.

But returning to the original question: The administration of councils is well separated from other organizations of the Ministry of the Interior, from the traditional

functions. I do not believe that one should try to find linkage between the matter we talked about and the ministry's responsibility for public administration.

Without Smashing the Apparatus

[NEPSZABADSAG] Public administration must also face, on a daily basis, the new political circumstances on the regional and local level, the growing power struggle. It is no coincidence that the position of a number of council leaders was shaken during the past year. Nevertheless, the question is this: Will councils be able to stay afoot?

[Gal] Our constitution provides that the values of both a bourgeois democracy and socialism will prevail to an equal extent in the Hungarian Republic. In a paradoxical way, however, bolshevik tactics which have as their goal the smashing of the state apparatus are not alien in some cases to those guided only by the values of a bourgeois democracy. I do not believe that this is a necessary companion of a peaceful transition to parliamentary democracy.

This is, of course, the political aspect of this matter. But I believe that any sober political force will agree that a pluralistic society and a market economy could not function either without a state apparatus that conducts itself in a professional manner. From among the 1,490 council leaders, 1,376 have completed their higher education; and the same could be said about 45 percent of the administrators. And one should add to this the fact that there are many functions in which the task to be performed does not require a higher education. One should also know that in terms of professionalism and a sense of morality, a majority of the 36,000 council workers do not fall below the average social standards. Even though abuses perpetrated by some council leaders have recently come in the limelight, these persons constitute only a negligible fraction of their total number. Accordingly, we may be justifiably confident that the council will be able to stay afoot, even in the midst of the political struggle. At the local level today the task appears to be the development of conditions for changing over to autonomous governance.

[NEPSZABADSAG] Many believe that the single-party system provided a certain protection for council leadership.

[Gal] This was indeed true. Undeniably a lot depended on a council leadership's personal connections with the local party leadership. They were able to feel self assured if they had good connections. It is undeniable that, in the context of a proposal advanced by the county body as a whole, knowing that the party committee had also debated the proposal counted as an asset.... Thus, if some member of the council expressed reservations this argument based on clout could always be used.

[NEPSZABADSAG] But what can we expect now? Churchill said that the purpose of Parliament is to create

hell in the life of government. I would think that in a democracy a council body's "ticket" calls for something similar.

Consultation and the Elections

[Gal] Council bodies were formed after the 1985 elections. The signs of pluralism now fomenting in Parliament can be felt to a lesser extent in council bodies, particularly insofar as the personnel composition is concerned. The leadership is affected more by external politics. At the same time, one must not forget that local councils began consultations with parties and independent political organizations around them much earlier than this took place at the national level.

[NEPSZABADSAG] To what extent do the jobs of present council leaders depend upon the outcome of the elections for National Assembly representatives? Can the personnel that served the old master continue to "carry on with the business" if the political situation changes at the national level?

[Gal] The positions of council leaders do not directly hinge on the outcome of elections for representatives. And elections for council members will not take place simultaneously with the elections for representatives. The mandate of elected officials expires this coming June. And it is not an uncommon phenomenon in other parliamentary democracies for political forces that are different from those in Parliament and the government to be in a majority at the local and regional levels.

[NEPSZABADSAG] At the latest press conference held by opposition representatives some well known legal experts expressed their views regarding legislative tasks in the framework of political transition. Mihaly Bihari listed the law on public service among the first laws that must be created without fail. What political pattern of conduct does this law offer to the council apparatus?

[Gal] It requires them to work on a nonpartisan basis, within the law and in a professional manner, and it requires them to manifest ethical conduct. Equally, the law has as its fundamental goal the protection of those working in the field of public administration. The history of the legislative draft includes the fact that the necessity of creating such a law was raised first by the opposition parties in the course of political conciliatory negotiations. They felt that the masses that work in public administration must not be exposed to the heightening power struggle. Accordingly, the public service law must provide that persons working in the field of public administration cannot be disadvantaged in any manner on the basis of the political views they hold. But even if we disregard for a moment the most extreme views, it can be seen that in these days the state apparatus is functioning, even though under rather tense circumstances. As far as the protection of public employees is concerned, the matter of where the line can be drawn for

the extent of protection provided by the labor law, whether it should be drawn at the chief division head level or below, is still the subject of debate. The idea has emerged that persons compelled to leave the state apparatus because of party politics or the change in government should receive financial compensation. But I must tell you that in this regard the political situation is changing rapidly. Ever since the elections were called it increasingly appears that this issue is far from being as significant as it was a few months ago, as far as a majority of the parties are concerned. As we approach election day, many feel rather self-assured that they would be able to handle this problem even in the absence of a public service law, because they want to rely on the professional apparatus. The big question is, of course, whom they regard to be part of the professional apparatus.

Religious Leaders Issue Statement on Politics

25000603B Budapest NEPSZABADSAG in Hungarian
17 Jan 90 p 5

[Text] The consultative body of leaders of churches and denominations in Hungary convened on 16 January 1990 to discuss timely religious and social issues that have an impact upon religious leaders. The purpose of the conference was to establish joint positions with regard to major current issues. Conference participants stated their view that churches and denominations should stay away from political party struggles. At the same time they expect parties not to interfere in the internal life of churches, just as the churches respect the internal affairs of parties.

Conference participants expressed shock over the fact that various political groupings organize "ecumenical services." They underscored the fact that the organization of religious services is the duty and responsibility of persons authorized for this purpose by churches and religious denominations—keeping in mind the order of ecumenical religious services which has evolved on the basis of tradition. They called upon clergymen not to participate in "services" organized by political groups, because experience shows that occasions like this provide opportunity for political abuse.

On behalf of the Roman Catholic Church: Cardinal, Prince Primate, and Archbishop of Esztergom Dr. Laszlo Paskai. On behalf of the Ecumenical Council of Churches in Hungary: Dr. Karoly Toth, chairman. On behalf of the Reformed Church: Bishop and President Dr. Elemer Kocsis. On behalf of the Evangelical Church: Bishop and President Dr. Gyula Nagy. On behalf of the Orthodox Church: Cardinal Administrator Dr. Feriz Berki. On behalf of the Baptist Church: Church Chairman Dr. Janos Viczian. On behalf of the Methodist Church: Dr. Frigyes Hecker, superintendent. On Behalf of the Unitarian Church: Bishop Dr. Janos Huszti. On behalf of the Jewish Denomination: Chief Rabbi Dr. Alfred Schoner.

SZDSZ Candidate Wins Budapest Parliamentary Seat

*25000603A Budapest NEPSZABADSAG in Hungarian
15 Jan 90 p 5*

[Unattributed article: "Budapest 14th Voting District Once Again Has a Representative; 42.85 Percent Participation; Free Democrats' Candidate Wins"]

[Text] Saturday's special election in the 14th voting district of Budapest Administrative District No. 5 was successful. In the second round of votes—the first vote was taken in December—7,942 voters, or 42.85 percent of those eligible to vote, decided the fate of the mandate, at last. (The election law provides that in the second round of voting one quarter of those eligible to vote would have sufficed.) Former Foreign Minister Peter Varkonyi's parliamentary seat will be occupied by Alliance of Free Democrats [SZDSZ] nominee Miklos Tamas Gaspar for the remainder of the term.

The opposition politician is a legal theoretician, and received 54.9 percent of the vote. Independent candidate Peter Balazs came in second with 33.61 percent of the vote, while Bela Szalma won the third place with 11.5 percent of the vote.

"I am not disappointed," Dr. Balazs told our Sunday editorial office. "Advance indications already showed that I would not win, and that this would not even be a close race. Based on my discussions with voters I am certain that whoever is not shown on the television screen does not have a good chance. And one could not really say that I was popular with the media. Our national media did not even present the interview I prepared with Katalin Kondor in which we conversed about various professional issues, such as banking matters and financing for cultural purposes."

[NEPSZABADSAG] And where are you heading from here? I am most interested to know whether you will run in the March elections.

[Balazs] I will continue the work I began as a council member. With that work I won the confidence of some of the people. I will continue to work toward the goal that in this country the dog will wag the tail, and not the opposite. I am not surrendering; I will of course run in the March elections. After all, as the present results show, many people have confidence in me....

NEPSZABADSAG Comments on Csurka Broadcast

*25000602C Budapest NEPSZABADSAG in Hungarian
15 Jan 90 p 5*

[Unattributed article: "'Terror, Soldiers, Blood, and Collapse'; Csurka Drama on Radio"]

[Excerpt] Istvan Csurka uses the [TV] News' Aczel case as a springboard to prove that a tiny minority (this includes part of the press) is forcing its will on the

collective majority. For this reason: "anarchy is at our doorstep, if not inside our walls." Csurka's note—his yell about anarchy, his awakening of Hungarian feelings, his contrast between the "sinful city" and the "pure countryside," the statement in which communists, socialists, and "radical liberals" are all lumped together—may be regarded as the first intonation of the election campaign. With regard to this intonation we may sadly say: This tone of voice is familiar in some respects, and it is unjust in every respect. This statement was made at a time when a deteriorated economy is demanding extraordinary effort from the majority in order that they may make a living. These things were said at a time when an honorable framework for competition and cooperation in a multiparty system must be rediscovered. And these words were spoken at a time of an explosive international situation (let us just think about the unstable new democracies in neighboring countries). It would be better to be without statements reminiscent of past campaigns run in bad taste, and without exclusionary emotions which regard opponents as enemies and instantly wish to declare opponents to be outside the law. It would be better if the firmness of the sober center would indeed characterize the weeks before the elections, and the years thereafter.

Robbery, Vandalism at MSZP District Headquarters Reported

*25000601F Budapest NEPSZABADSAG in Hungarian
10 Jan 90 p 10*

[Article by F. Gy. A.: "Investigations Continue: Zuglo MSZP Being Robbed"]

[Text] The election center of one of the Budapest organizations of the Hungarian Socialist Party was broken into during the night of January 6-7; this was the second such incident recently. Unknown persons "paid a visit" to the 14th District building located on Miskolci ut on 22 December. That time they took a coffee percolator, video cassettes borrowed for a children's Christmas program, some computerized game programs, and 10,000 forints in cash. Part of that money represented membership dues. They pried the locks off of cabinets. In one of the cabinets they found a VCR and a cassette tape recorder. They took the latter, but, who knows why, they poured the leftover vermouth from the youth organization's New Year's Eve party into the VCR. They left the Commodore computers intact, three to be exact, as well as the printers and disks that were on the tables.

The Zuglo party organization began occupancy of the building last October. The building was previously used by one of the precinct party organizations of the MSZMP [Hungarian Socialist Workers Party]. Accordingly, the building is far from being equipped as well as district party headquarters are. There is no night guard at the building at all. They had just finished furnishing the building when it was broken into and upset.

And then, the next robbery took place soon after the traces of the previous break-in had disappeared. In

January they took their Robotron typewriter as well as a desk top adding machine and another tape recorder.

As political associate Ivan Halasz said: In both instances they messed up the organization's documents, but did not take any of them. Unfortunately, he is unable to entirely rule out the possibility that the two break-ins were politically motivated, but the fact that no documents were missing makes this unlikely.

The robbers caused approximately 150,000 forints worth of damage to the MSZP [Hungarian Socialist Party] Zuglo organization. The police have begun an investigation.

POLAND

Federation of Fighting Youth: Faction Programs, Activities Presented

90EP0288A Warsaw *POGLAD* in Polish
No 4, Dec 89 p 14-16

[Article by Katarzyna Zborska: "Federation of Fighting Youth: Street Criteria"]

[Text] The people of the Federation of Fighting Youth, or FMW, have won for themselves the name of "rabble-rousers." They fight in the streets with fliers, and rocks too, if absolutely necessary to their defense. They see themselves as the lost generation, insofar as the communist officials are concerned. They have no illusions about the good intentions of those who "by oppression and force tried to strangle our economy." They reject passivity, because it causes the human individual and society to become a slow, shapeless mass with which it is possible to do anything. They call out: "Let's overcome fear, our own egotism, and ordinary cowardice." They consider their place to be in Poland, not abroad as emigres. They are fighting for independence. A well-known four-line verse has become the motto of WOLNY UCZEN, an irregular publication of the Confederation of Polish Youth issued jointly with FMW: "If somebody burns down our Polish house, Then each of us must be ready, Because it's better for us to die standing up, Than to have to kneel, and live on our knees."

They define the struggle for independence as "actions which lead directly or indirectly to the overthrow of the communist system thrust on Poland by the Soviets."

This is where the division between people in the Federation of Fighting Youth begins. It was against this backdrop that the split into two factions came about owing to different approaches to the June elections (and the roundtable talks before that). On the one hand, there were "the angry ones," or radicals, encompassing Gdynia, Warmia and Mazury, Plock, and part of Lodz. They also lay claim to Bydgoszcz, Wroclaw, Upper Silesia, and Szczecin, but they do not seem to have any influence in these places. On the other hand, there are the moderates, with strong groups in Gdansk, Krakow, part of Lodz, and Warsaw. The radicals opposed any neutral position

during the elections and therefore boycotted them, turning voters against Lech Walesa's team. The moderates supported Solidarity.

This May "the angry ones" created an FMW national commission under the leadership of "Partisan," who cannot reveal his identity because of conspiracy. The whole rest of the Federation became nearly hysterical over the advent of the new executive body. A major biweekly called MONIT (No 67, 1989) said that several FMW groups were trying to oppose the concept of groups' rights to free association and were usurping for themselves the prerogative of making declarations on behalf of the Federation. The FMW National Coordinating Committee is one completely legitimate "plane of consolidation."

What are the differences between the two factions? Bogdan Falkiewicz, leader of the Gdansk federation, the "moderate" one, says that the people from Gdynia are working for a national rebellion, like the November rebellion.

"We have more political realism," explains the fellow who has been circulating offensive writings since 1985, that is, since the creation of the Federation of Fighting Youth. "We do not recognize the London government. And the relationship to Solidarity is the personal affair of each one of us. The organizational discipline of the radicals, on the other hand, forces them all to think alike."

The moderates publish more than a dozen newspapers in Gdansk alone and dozens more all over Poland. The best known are MONIT, mentioned above, KLAKSON, MALY WYWROTOWIEC, DWOJKA, SZPALTA, and LARWA (Warmia and Mazury), as well as MONIT's great competition, BISZ (BIULETYN INFORMACYJNY SZKOL ZAWODOWYCH [Vocational Schools Information Bulletin]), while the radicals' main publication is ANTYMATYKA, issued in Gdynia. Besides publishing newspapers, the FMW organizes demonstrations and publishes books and cassettes, while the executive groups see to it that house walls are decorated with bearable slogans: "Schools in the hands of the students" or "Soviets, go home."

Some of the federation members joined the Independent Union of School Children, which sprang up last June. This new affiliation does not exclude them from continued participation in the FMW. The new group's purpose is to defend the students' interests. It operates out in the open and is asking to be registered as an association. The moderate faction wants school officials to recognize its activity on school grounds as legal.

The federation recruits incoming freshmen to bring about changes in their conditions, that is, to cancel the defense training classes, and military training in the vocational schools. They are enlisted in the struggle to implement the "youth table's" demands and are called upon to join in the protests, for example, against construction of the nuclear power plant in Zarnowiec (and

the expansion of nuclear power altogether) or against police brutality. The time for overturning the absurd system of real socialism will come later.

"The angry ones," the radicals, have contempt for "all of Gdansk" and "the Walesaites," whom they consider to be run-of-the-mill collaborators. On the ninth anniversary of the August agreements, they went to St. Brigid's church with a banner reading "No more deals with the reds." Somebody shouted: "The elections—Targowica" [confederation formed at Targowica protesting against the constitution of 3 May 1791; figuratively "targowica" refers to treason], but the only response was looks of surprise from the middle-aged faithful there.

"The angry ones" do not support Walesa, the Mazowiecki government, or Solidarity, although at one time they fought to have it made legal again.

"We detest them, and we are ashamed of them for getting into a deal with the communists," says Mariusz, from Lodz.

Walesa made them angry on 4 May, when he said in a press conference: "Those who carry banners saying 'Down with communism' are provocateurs ... We have films of the 13 May disturbances. We will point out the organizers to the nation, and the nation will hang them." That came from the former idol and symbol of freedom. And so this Solidarity is not the 1980 Solidarity anymore. Walesa's Solidarity took away people's right to strike as a rider to the union's bylaws, it supported Jaruzelski's candidacy for president, and the members of the Sejm and Senate chose a man who was responsible for the imposition of martial law. After all, only the London government abroad, with President Ryszard Kaczorowski, Kazimierz Sabbata's deputy, can legally pass on his right to power won in truly democratic elections. Premier Mazowiecki also disappointed the radicals, when he "did not question Poland's role in the Warsaw Pact, thereby distancing the country from achieving independence." What will happen in free Poland? There will be no communists, but if there are any, they will be allowed to gather, provided there is anyone who wants to join them.

Nobody knows exactly how many people belong to the Federation of Fighting Youth. Not even the two faction leaders themselves have any control over who distributes pamphlets in their name. It is not possible to count the members in an organization which does not issue membership cards or set up regular meetings, where just about everything is secret. "The angry ones" estimate that there are about 1,000 people who support them throughout Poland, but only 600 people took part in the August anniversary celebrations this year. There were at least 100 of the "moderates."

"You are a member of FMW if you do something in the organization, if you feel an emotional bond with it, if you take part in the demonstrations," explains Tomasz, who "signed up with" FMW, in order to begin living normally.

The fighting organization does not recognize personal interests. Here you have to either give yourself entirely to the cause or not commit yourself at all. Young people begin their "career" at age 13-14 with distributing publications, because "the biological young are the future." Parents do not usually know what their son or daughter is doing. When they do, they put them out or start exerting strict control. FMW members have no boy friends or girl friends, do not identify with discotheques, and do not even go to the movies. Fighting youth do not have a sense of fear. They say: "Everything is for people, even the police."

In their rooms hang eagles with crowns, pictures of Marshal Smigly-Rydz, and a prewar map of Poland. Within their four walls they live in the "Independent Republic."

FMW youth feel responsible for the fate of the country, think in terms of great politicians, and believe they can change the system. In conversations they quote Lenin, Stalin, and often Milosz and Orwell.

Since March 1989, MALY WYWROTOWIEC has been putting out the communist way for alliances, or J. Stalin's contribution: "There should be an alliance between the iron pot (communists) and the clay pots (allies). And implementing the alliance? Put all the pots into one bag and shake it up."

Moral: "Let's not let anyone shake us up; let's shake ourselves up."

Use of the clever phrase is the FMW's strongest suit. It is hard to distinguish fiction from reality. They repeat Lenin's saying: "The more revolutionary young people are, the better the revolution," adding at the end: "The only way to talk with the communists is to accept their CAPITULATION."

POLITYKA Weekly News Roundup

90EP0266A Warsaw POLITYKA in Polish
No 1, 6 Jan 90 p 2

[Excerpts]

National News

The Sejm amended the constitution: the name of the state is Rzeczpospolita Polska; the national symbol is the White Eagle with a crown. Article 1 reads: "The Polish Republic is a democratic state implementing the principles of social justice." Article three on the PZPR as the leading political force was removed.

Mieczyslaw F. Rakowski, first secretary of the PZPR Central Committee, met with Lech Walesa, chairman of NSZZ Solidarity, at the Sejm building. Lech Walesa after the meeting told journalists: "At the beginning of the 1980's, we were fairly close. Then our paths parted, but again we are returning to the good, old ways." M.F. Rakowski: "The main topic of the talks was as the

chairman said the view that Poland needs a leftist force. Central left and central right forces are needed." [passage omitted]

At the end of 1989, prices for automobiles increased: the cheapest, the Fiat 126p to 12 million zloty (the modified version to 14.5 million); the FSO 1500 to 18 million, the standard Polonez to 27 million. The rates for transportation insurance (to be paid quarterly) have been announced: for vehicles with engines of 900 cm³ or less, 50,000 zloty (without comprehensive 40,000 zloty), for the FSO and Polonez (with a 1600 cm³ engine), 110,000 zloty; for vehicles with larger engines, 165,000 zloty. Comprehensive insurance is not mandatory. Fees for radio and television have been raised again; for both the quarterly fee is 9,000 zloty. Tickets for the State Motor Transport and railways increased by an average of 250 percent. Beginning 1 January 1990, the price of 94 octane gasoline will be 2,400 zloty per liter (a 100 percent increase). Prices for gas, electricity, and hot water increased an average of 400 percent.

Savings deposits in January will earn from 38 percent (three-year) to seven percent (demand accounts). Interest rates on loans will be about 40 percent. The official rate for the dollar is 9,500 zloty. [passage omitted]

The Supervisory Council of Prasa-Ksiazka-Ruch Workers' Publishing Cooperative protested against the attacks on the cooperative (it publishes POLITYKA), the accusations that it monopolizes the periodical market, and proposals to "nationalize" it.

The Palace in Kruszyna, PAP reports, has returned to a representative of the family of the former owners—Stanislaw Lubomirski. The head of the local gmina office made the decision. A luxury hotel is to be set up in the palace. (Amusing: PARIS MATCH (14 December 1989), the mass circulation magazine in France, devotes an entire column to the event; it reports that Prince Lubomirski will not be satisfied until the authorities return a collection of paintings from the 17th and 18th centuries "spread among various museums"; the author of the article ends with the statement that the benevolence of the new authorities for the aristocrats "is surely a miracle of the Black Madonna." The Kruszyna Gmina is located near Czestochowa.)

Coal production in 1989—according to estimates—was 15 million tons lower than in 1988. A further decline of about 19 million tons is expected in 1990. (In 1988, 193 million tons were produced, of which 30.7 million were used for municipal and household uses.)

A change in the order is the main headline in the government paper RZECZPOSPOLITA for 28 December 1989. The article is devoted to an expanded proposal of constitutional amendments. "Article 19 that work is the right and obligation and cause of honor of each citizen is also to pass into oblivion; it is useless in the face of the employment which must be a side effect of the efforts to heal the Polish economy."

Parliament has named the Council of the National Endowment Fund. Cardinal Jozef Glemp, Primate of Poland, is the chairman of the Council. [passage omitted]

Who's Who News. There have been changes in military leadership positions. Piotr Kolodziejczyk, deputy admiral, has been removed as leader of the Navy and been named head of the Main Board of Training for the Polish Army, from which position Gen. Tadeusz Szacila was removed. (The latter is to become an adviser to the minister of national defense.) The obligations of commander of the navy were assigned to the current head of its staff, Rear Admiral Romuald Waga. [passage omitted]

In Europe

[Passage omitted] The GDR and the FRG have exchanged agents. They released 28 citizens of both states imprisoned for spying, and the GDR also released the final 90 political prisoners.

In 1990, the Hungarian government plans to close 41 plants, which have lost money for a long time; 50,000 individuals will lose their jobs. The government anticipates one-percent unemployment, but in the opinion of the union paper NEPSZAVA the "calculations are too optimistic." [passage omitted]

"In spite of changes in Eastern Europe, overly extensive reductions in the Bundeswehr should not be made yet. The West continues to be militarily weaker and we cannot get ahead of the results of disarmament negotiations," said Manfred Woerner, secretary general of NATO, in a interview with the weekly QUICK.

Vasil Bilak, until recently a secretary of the Central Committee, has been excluded from the CPCZ as "a representative of the forces that caused the intervention of the Warsaw Pact forces, that became fervent supporters of Brezhnev within the CPCZ, and that imposed a hard sectarian, dogmatic line on the party preventing any reforms within the current system."

The State Security Service in Czechoslovakia has been dissolved; its units throughout the country have also been dissolved. [passage omitted]

In an interview for LE MONDE, Jirzi Dienstbier, minister of foreign relations for Czechoslovakia, said, "Negotiations on a new agreement to replace the Warsaw Pact must begin." Speaking of the role of Czechoslovakia in the Pact, Dienstbier stated that "the main goal of the CSSR is to dissolve both blocks in order to create room for democratic and pluralist security structures throughout the Helsinki area." On prospects for the unification of Germany, he said that no nation can be denied the right of self-determination. The process, according to him, should proceed in tandem with the unification of Europe.

The Czechoslovak Civic Forum formed by Czechs and Slovaks living in the FRG in a declaration thinks that "the issue of the postwar deportation of Germans from Czechoslovakia remains open, and we must return to it." The Forum supports the formation of an international commission to examine the issue and to make a final decision. It also thinks that the Czechoslovak government should apologize to the "forcibly deported Sudeten and Carpathian Germans."

The Hungarian Socialist Party has engaged the American advertising agency of Hill and Knowlton to help in their election campaign for the parliament in March 1990. According to the most recent public opinion surveys, 16 percent of the electorate supports the Hungarian Socialist Party at present. The Hungarian Democratic Forum, which has the support of 24 percent, is the most popular party.

We say good-bye to "On the Left." During the past year, so much has changed "on the left" that a separate section has increasingly lost its sense, as has the old division into camps. We are introducing new sections—"In Europe" and "Around the World." The solution is surely not perfect, but, as we decided, today it is more logical than the previous one.

Opinions

Primate Jozef Glemp:

(Interviewed by Lars Bjoerkwall of the Swedish daily EXPRESSEN)

[EXPRESSEN] Is your Eminence satisfied with the efforts of the Solidarity government?

[Glemp] Please remember it is a coalition government. Perhaps it has made mistakes, but we have not criticized it. We have not yet noticed any mistakes. There are good intentions to do something beneficial for the entire country.

[EXPRESSEN] Has Your Eminence not noticed any mistakes?

[Glemp] I have doubts about whether a free market is the best for reaching our goals, for example, that applies to the food market with the rapid increases in prices.

Prof Dr. Jerzy Holzer, historian:

(Interviewed by Halina Retkowska, REPORTER December 1989)

[Holzer] At present, the division into left and right has completely broken down. While we are leaving a totalitarian system, such a breakdown is a normal phenomenon. Simply on the one hand there are supporters of the single party, and, on the other, everybody else. The same thing happened, for example, in Germany after Hitler, when representatives of the undoubtedly anti-Hitler right maintained contacts with the social democrats and even

sporadically with the communists. The basic issue was the attitude of these groups toward Hitler.

As the single-party issue and the opportunity for a return to a single party recedes into the past, the more the division into right and left will appear. Although I personally think that given the anticipated strength of the Christian-social movement for a time we will be dealing with a situation which can be called a pull toward the center. Neither decisively leftist nor decisively rightist movements will be able to gain great popularity. Please note that the Polish Socialist Party of Jan Jozef Lipski is already attempting to take up a position on the center left. The Christian National Association also presented itself as a center right party in its initial pronouncements.

The opinions and views cited in this section do not always agree with those of the editors.

ROMANIA

Situation of Athletes During Ceausescu Regime

90EB0198A Paris LE MONDE in French
11 Jan 90 p 9, Section B

[Article by special correspondent Philippe Brouillard: "Chicanery in Sports in Romania"; first paragraph is LE MONDE introduction]

[Text] Gymnasts, soccer players, and tennis players are discovering democracy, but the former officials are still there. And little by little, day by day, the Romanians are discovering the ramifications of the Ceausescu system. Sports are no exception to the rule. The former regime had perfected its use of this formidable tool to polish its public image. Neither the adolescent girl gymnasts, who, as emulators of Nadia Comaneci, had to train under very difficult conditions, nor the soccer players, often brilliant in European competitions, were able to escape corruption and various skulduggeries. Some profited greatly from them, particularly under the aegis of Valentin Ceausescu, one of the "Conducator's" [leader's], who headed the Army's club, the Steaua-Bucharest. Like its society as a whole, Romania's sports world is discovering democracy today without knowing how to use it. This very confused situation works to the advantage of former officials, who, under the guise of change, are already carrying out very effective purges. In the coming months, many world-class athletes may therefore be imitating gymnast Comaneci and tennis players Ion Tiriac and Ilie Nastase, and leaving the country.

Bucharest—"Terrorists! Criminals!" Colonel Constantin Tanase has the high and mighty tone, the sombre gaze, and the arrogant portliness of comic strip dictators—lacking only a thick moustache to figure in a Herge album. Pointing to two Kalachnikovs placed carelessly on a coffee table, he leans an elbow on the windowsill and, miming battle scenes, "shoots" at imaginary enemies hiding in ambush on the other side of the street.

The bullets fly. The enemies drop one by one. All of them terrorists! All of them criminals! "They were everywhere! Inside the building, in front of it. In those modest shacks as well! They were trying to invade the barracks, but my boys were heroic." The pockmarks of the bullets on the wooden framework attest to the fury of the fighting. The faded facade of the adjacent building is also badly scarred.

The colonel returns to his desk. From a cabinet, he retrieves a set of identification papers and a revolver. They belonged to an agent of the Securitate whom his men had killed as he attempted to scale the barracks wall. Volubly, the colonel exhibits them as irrefutable proof of his heroism, hence of his good faith. Until the revolution, he had been one of those military personnel closely tied to the regime, who believed he would never have to go into battle. At age 55, and occupying, as he had for the past four months, a position coveted for its cushiness, he had even less reason to expect to have to go into action. His position was that of president of the Steaua-Bucharest, the Army's powerful all-sports club, whose 23 sections, ranging from gymnastics to handball, dominate Romanian sports. These athletes had to suddenly become instant soldiers and repel the attacks of Ceausescu's henchmen. And thus did Radu Durbac, captain of the Romanian soccer team, die, weapon in hand, on the night of 22-23 December.

How did the headquarters of a sports club come to find itself under fire by the "Conducator's" faithful? According to public rumor, a very active force in this "country of the big lie," where the truth cannot be bought even on the black market, the tyrant was being detained there. Members of the Securitate had located him through a miniature transmitter concealed within his watch. The colonel denies this version of the facts and advances a more plausible explanation: "We warehouse a sizable stock of munitions and equipment which they wanted to get hold of."

Looking back, this participation in the revolution, by the sports world, seems also highly symbolic. Rarely, in fact, has a totalitarian regime taken as much advantage of its athletes as did the "Conducator's." Certainly, he could not be regarded as a lover of sports. The exalted idea he had of his person prevented him from indulging in such pedestrian passions. But he knew how to use them to advantage, particularly through his two sons, Nicu and especially Valentin, the elder of the two, whose private preserve was specifically sports. With the Army, the Securitate and the Police all in on it, the high levels of the sports world were rife with corruption and skulduggery. Today, everything is exploding, the system is falling apart, but in this domain, the power continues, as before, in the hands of opportunists who, like Colonel Tanase, changed sides in time.

The system as a whole rested on two world-class all-sports clubs: The Army's Steaua-Bucharest and the Interior Ministry's (Police and Securitate) Dinamo-Bucharest. Both

reigned over all the disciplines without differentiation. But their crown jewels were their soccer teams.

Until 1985, the Dinamo stole the spotlight from its rival. Supported by a ministry which the "Conducator" needed very badly to maintain his grip on the country, the Dinamo lorded it over the other teams. And frequently, over the referees too... Its supremacy was put to a challenge, however, as soon as Valentin Ceausescu became involved in soccer. His passion for it—a sincere one according to most observers—led him to change the course of his country's sports history. Soccer became the preferred sport of this inherently recalcitrant heir who, in addition, played bridge, an activity forbidden by his father because it was too intellectual.

Following a telephone call by Nicolae Ceausescu to the minister of interior, to calm the Dinamo's ardor and ambitions, Valentin very quickly became the unofficial president of the Steaua, ruling with an iron hand over the military officials in charge of the soccer team. During training sessions, he would appear among the players, dressed in track suit, stopwatch in hand. Before matches, he would give unsparingly of his "advice" to the referees. Spectators of a match between the Steaua and the Dinamo recall seeing him address obscene gestures to the opposing players.

All the soccer buffs also recall the result of the final match for the 1988 Romanian Cup: Supported by faked photographs, Valentin easily convinced the Federation that a goal that had been properly denied his team by the (honest, for once) referee had been valid, thus reversing the result in favor of the Steaua. Under these conditions, therefore, is it really surprising that this team, which could proselytize the country's best players, at will and even in the midst of a championship match, should remain unbeaten for more than three years, between 1986 and 1989?

A Strategy of Skulduggery

But sports-minded gratification was not the sole benefit he derived from the performance of his protégés. His many stays abroad with the club's delegation provided him an opportunity to strut alongside the big names in European soccer. Above all, the successes of the Steaua—winner of the 1986 Europe Clubs Championship Cup and finalist against the Milan AC in 1989—probably provided additions to his nest egg: The monies earned by the club abroad—compensatory cash allowances, television broadcast proceeds, etc.—were deposited into two accounts. One, in Romanian currency, contributed to the club's budget. The other, reserved for foreign currency, escaped audit by official agencies. Hundreds of thousands of dollars disappeared mysteriously in this manner. The players also benefited from them to some extent. Certain victories in the Europe Cup matches were tariffed at \$1,000 of compensatory allowances, without counting the various perquisites that made them one of the regime's privileged classes (foreign products, salaries in foreign currency).

None of this escaped the public eye. But the public finally became accustomed to it. An eloquent attestation is provided by Ovidiu Ioanitoiaia, editor of the international section of SPORTUL, a sports daily, which has just published its excuses to its readers for having lied to them: "The soccer championship was divided between two big families worthy of the Mafia: The teams of the Steaua on the one hand and those of the Dinamo on the other. Most results were predictable before the games were even played. A telephone call between party dignitaries was sufficient to arrange everything. Competition governed the play of the matches between the two rivals. The differentiation was provided by Valentin's counseling of the referees.

The essential thing, in this vast network of corruption, was to play the power game. "During news conferences, the primary consideration was to stroke the party in the direction of the fur, because the conference room was riddled with microphones," says Radu Demian, secretary general of the Soccer Federation, before acknowledging, somewhat shamefacedly, that the number of athletes was never 16,000 as he had always certified, but rather 6,000...

"Everything needs to be revised. We must come up with a plan for salvaging Romanian sports. We must find a way out of their penury." Enslaved in his office as minister of sports, Mircea Anghelescu savors his new functions. For this engineer, aged 51, who is also president of the Soccer Federation, the promotion was an unexpected one. Talk he may, as he does without end, of his high regard for the president of the National Renewal Front, Ion Iliescu, and of the "Conducator" as a "criminal," but he is unable to put behind him his associations with the former regime. Not all that long ago, he was still bragging of his intimate ["tu" and "toi"] talks with Valentin and of addressing him by his nickname "Vale."

His appointment to the post of minister of sports illustrates to perfection the country's present situation: Power has remained in the hands of those who already held it. Of course, Mircea Anghelescu denies any intent on his part to institute a "witch hunt," but his first decisions indicate the contrary: The Victoria-Bucharest (the Police club) and the FC OLT (Ceausescu's native region) were dissolved; the Dinamo is to change its name—henceforth, it will be known as the Tricolored Union—and its future is at risk. Above all, and little by little, all the important posts are being filled by appointees friendly to the Steaua, hence close to the Army.

As one athlete—a member of the Steaua, at that—has said, "Like all Romanians, we athletes fear we have brought to power a military dictatorship that has not yet revealed its identity."

[Box, p 9]

The 'Conducator's' Wax Dolls

Bucharest—The 23 August Gymnasium is hardly more attractive than a disused assembly plant, rusting away

and drafty. Its four concrete walls conceal its obsolescence in the snow-covered undergrowth of a Bucharest park. A few mats in a state of disintegration, a vaulting horse, and several gymnastics apparatuses, lined up modestly under the pallid lighting of rows of neon tubes. Only the voice of Michael Jackson, diffused after a fashion by hoarse-voiced loudspeakers seems to warm up the place, whose radiators, with their sparing efforts, deign to raise the temperature to not more than 10 degrees Celsius.

The atmosphere is gray, grim and cold, Romanian to the point of caricature, like the 15 young girls occupying it on this revolutionary winter evening. Their ages range between six and 13 years. They are dressed in leotards and are wearing hand knit slippers. All of them perform sequences of pirouettes and triple jumps without batting an eyelid, with that wax-doll facial expression they all customarily don on podiums.

Overhanging this ballet of miniature athletes, gigantic letters remind them that "athletes and trainers must work hard to achieve the Olympic ideal." The watchword has survived the revolution, as if to prove that this sport had been an essential element of the Ceausescu regime's propaganda. In 1976, on the day after Nadia Comaneci's triumph in the Montreal Games, the "Conducator", having fully anticipated it, hastened to have hundreds of thousands of photos distributed showing him alongside the child prodigy, promoted to "heroine of the people" at the age of 15.

A Bloated Matron

The heroine in question, having fallen into disgrace upon becoming a woman, left the country before the fall of the regime, and took refuge in Florida. She is no longer other than a bloated matron, whose love affairs with a shady impresario, who is married and has four children, have disappointed the Romanians. But her various adventures have never tarnished her prestige as an athlete, and if, since 1976, thousands of young girls have flocked to the gymnasiums of Bucharest and Brasov, it has been, first and foremost, to emulate her. In the minds of their parents, it has also meant an opportunity to travel abroad and bring back products impossible to find in Romania (sold at astronomical prices on the black market), hence, more generally speaking, to attain a certain social level. After all, did not Nadia, turned trainer, cut a figure as "bourgeoisie," with her apartment, her used car, and her salary equivalent to 20 packs of Kent cigarettes?

Until the revolution, everything was rumor and secrecy concerning these Romanian gymnasts who, following closely in the footsteps of Nadia Comaneci and her trainer Bela Karoly (he, too, is in the United States), are the only ones in the world able to compete with the Soviet gymnasts. Today, tongues have loosened and doors have opened on their training.

"It's not very warm, but the kids are tough." Christina Ioan rubs her hands together, pats them on a do-nothing

radiator, and pulls up the collar of her sweater jacket. Together with her husband, Petru, this woman of some 40-odd years of age is responsible for the 23 August Gymnasium. She denies all the accusations heard in the West concerning the inflicting of corporal punishment on recalcitrant pupils. On the contrary, she boasts smilingly of producing "with their consent" high-class champions, some of whom will go on to further training outside the city, at the Odeva National Gymnastics Center, with the present star, Daniela Silivas. The Ioan couple's training recipe is simple: two to three hours of training daily, repetition of exercises until perfected, strict discipline, and respect. They assert that the girls accept the training with good grace. But they also acknowledge that, since 1979, there has been an ongoing deterioration of working conditions for the 600 young girls who comprise Romania's elite in this sport.

It has been necessary to await the end of the Ceausescu clan for the shortcomings of the system to explode in the light of day. For the last 10 years or so, gymnastics, like the other sports, has been subjected to sizable budgetary cutbacks. Equipment has not been renewed since 1981. The gymnasts, therefore, have not been discovering the new devices developed in the West, until the last minute, abroad, a few days before the start of competitions. And their participation in competitions has grown scarcer and scarcer as schedules have been "lightened" to limit expenses and the risk of defections while abroad.

Worse yet: The gymnasts were not always eating their fill. Christina and Petru Ioan acknowledge that the money needed for absolute minimum levels of nutrition arrived more easily, as a rule, with the approach of important competitive events. Outside of such periods of intensive activity, it was a case of making do with the means at one's disposal... That such means were beggarly is confirmed by Ovidiu Ioanitoia, of the sports daily SPORTUL: "During national selection qualifying periods, each federation was allocated a budget of 56 lei (equivalent to Fr3 at the unofficial rate) per day per athlete. This amount was barely sufficient to cover a breakfast! It was impossible to nourish strapping young athletes such as the judoists and wrestlers. The ministry, hence the government, was unwilling to increase its appropriation. So, very simply, an inspector in charge of financial problems found a joyous solution: The budget allocations to the gymnasts and the weight lifters were merged. Since the young girls were deemed to be much lighter eaters than the big strong men, the girls simply had to give up a portion of their rations!"

Footnote

1. Under the Ceausescu regime, the pack of Kent cigarettes, the highly prized American cigarette in Romania, became a virtual currency on the black market. Saying that Nadia Comaneci earned "20 packs a month" says far more in Bucharest than could be conveyed by any estimates in terms of other currency denominations. Taking the present "going rate" as a basis, she therefore

earned as much as a senior high school professor (a little more than Fr1,500 a month).

YUGOSLAVIA

Belgrade University Accused of 'Academic Bolshevism'

90EB0162B Zagreb DANAS in Serbo-Croatian
5 Dec 89 pp 44-45

[Article by Zeljko Kruselj: "The Return to Academic Bolshevism"]

[Text] The requirement of "fitness" for research and teaching jobs is by all appearances being introduced once again these days at the School of Philosophy of Belgrade University. However, at this point it is no longer referred to as "moral and political fitness"—since in the time of "Draza (Markovic) and Pero (Stambolic)" the political bureaucracy used that term in a showdown with eight instructors of this same school—but as "ethnic-political," in which all those whose thinking is not in keeping with the trends in day-to-day politics are under attack by academic authorities.

An important contribution to the suspension of academic rights at the School of Philosophy was certainly made a few days ago by Vasilije Krestic, member of the academy and full professor of the history of the nationalities of Yugoslavia in the new era at that institution, which is the most elite educational institution in Belgrade. Krestic has firmly decided to rid his department of those who do not understand the historiographic genesis of the "Serbian nationality question." Drago Roksandic, who for many years has been an associate professor in that department and is a doctor of historical sciences and a person who is extremely active on the Yugoslav intellectual scene, as been under direct attack and probably will be without a job in a few days. Roksandic's only reliably proven "sin" is that of political orientation, expressed in the form of opposition to Krestic's ethnic visions. Not only did this associate professor not agree with Krestic's deep analysis of the "essence" of the genocidal attitude expressed through the centuries by the Croatian "political nation" toward the Serbs, neither did he make any sort of personal contribution to such "scientific" conclusions. Precisely because of his "hardheadedness" in opposing his superior and indeed the entire mechanism on which Krestic's power is based, Roksandic was chosen to be an eloquent example of how these "misfits" must end up. If Roksandic falls, and everything has been done to achieve that, the other teachers who "have not seen the light" will in future have to think twice about what will be done to them.

Roksandic's road to "ethnic betrayal" began in 1978. As the best student of his generation, he became at that time an associate professor in the Department of Yugoslav History—at the personal insistence of Krestic. He then took his master's degree, and in 1983 he signed up to do

his doctoral dissertation. At the time of his reappointment to the position of associate professor, Krestic wrote virtual encomiums on behalf of official commissions, which was no cause for wonder, since as assistant professor for diploma projects Roksandic was awarded the October Prize of the City of Belgrade. The reports, which were first signed by Krestic, particularly stressed that his assistant was "a complete person who in his education, knowledge of his field, knowledge of foreign languages, sound scientific ambitions, and proven results in performance of various public and political activities" deserves reappointment. From the standpoint of subsequent troubles it is particularly significant that that same department head emphasized "with satisfaction" that Roksandic "had been responsibly performing his teaching duties, and had distinguished himself particularly in work with students, with whom he easily and quickly establishes contact and collaborates effectively." Assessments of the associate professor's "industry and enterprise" followed one upon the other until the beginning of 1985, and then there was a sudden switch. At a large meeting of scholars in Neum that same year, Krestic and Roksandic got into a fierce conflict before the eyes of hundreds of the most prestigious Yugoslav historians, and that conflict went dangerously beyond the limits of scholarship. It had to do with Yugoslavism before the creation of Yugoslavia, and Krestic's conception of this issue, as Roksandic saw it, espoused a change of direction in accordance with the vision expressed in Garasanin's "Nacertanje" [Draft] and the policy of Mihajlo Obrenovic and Nikola Pasic, thanks to which any Croatian Yugoslavism is essentially interpreted as "destroying the Serbs in Croatia as a nationality." It was then that Krestic allegedly told his assistant for the first time that there was no place for him at the School of Philosophy of Belgrade University, that is, that he would personally see to his removal.

Over the four and 1/2 years that have passed since the open conflict flared up, Roksandic's troubles have followed from the simple fact that he has remained incorrigibly the same person, while almost everything around him has changed. His statement that he continues to be a "convinced Yugoslav federalist" and that he sees the future of the Serbs in Croatia as residing solely in an interweaving of interests with the Croatian nationality, has built up for him a sizable circle of those who think otherwise, and in that circle Krestic is only the executor "of ethnic interests," mostly on behalf of the militant core of the Serbian Academy of Sciences and Arts. That change of direction, which parallels current political ferment and changes of direction on the Serbian and Yugoslav scene, is best seen in the official documentation which has followed events in the School of Philosophy. Actions that until practically yesterday were to Krestic's credit have taken on "conspiratorial" overtones since the outburst in Neum. The formal process of removing Roksandic from the faculty began with a trumped-up debate over the title of his announced doctoral dissertation, in which Krestic asserted that the "candidate has arbitrarily reduced the obligations which

he was supposed to assume with the topic approved by the Teaching and Research Council." The problem was that in 1987 Roksandic submitted his dissertation under the title "The Croatian Military District Under French Rule (Vlast) 1809-1813," whereas in the original decision the word used was not vlast, but uprava (administration). Although the entire "misunderstanding" over the title could easily be explained, which in fact Roksandic did, for Krestic it was reason enough for the appointed commission not to look at the thesis at all. Petitions were submitted one after the other, but the doctoral candidate soon saw that every attempt to defend his thesis had been frustrated. That was why he simply withdrew, applied for candidacy at Zagreb University, and obtained his doctorate here in March 1988. A relatively short time thereafter the book was published in two volumes under the title "Vojna Hrvatska" [Military Croatia], and it received a number of compliments from experts.

Well-Intentioned Interpretations

In this case, recalling the first step of Roksandic's removal from the School of Philosophy at Belgrade University is essential only because it indicates the methods used before the academic public at that institution. Seeing that the contents of Roksandic's dissertation are not dubious from the standpoint of scholarship, that is, that grounds for rejecting the dissertation cannot be based on that, Krestic asserted that the term "administration" is broader than the term "rule," and that is what constitutes Roksandic's scholarly "deception." Simply unable to believe his own ears, the suspected assistant argued in public-school fashion that administration is just one of the forms of rule, and that this is one of the fundamental distinctions in the history of the law. In other words, the "deception" could be based only on an arbitrary broadening of the topic, but by no means the other way around. The Teaching and Research Council of the school passed "coolly" over that logical absurdity, which opened the door wide to methods of solving the dispute from outside the institution. There was a shift, then, from the scholarly terrain to the typical settlement of political accounts in which he who has more followers of like mind and in better positions in the hierarchy is more important than respect for the independence of academic thought. The method of pressure entirely negated everything the school pledged to uphold after the bad experiences with the "witch hunt" in 1975, which was not so long ago. It could even be said that this has "legalized" the typical Bolshevik methods—so hated by precisely those who have revived them in Roksandic's case—that immediately after the war were used to "lynch" teachers who belonged to the prewar bourgeois parties and Vladimir Dedijer, since he was not quick enough to deny his "Djilasism."

Since a careful analysis of Roksandic's scholarly work yields few grounds for removal from the school, they began to dig into his personal biography. The root of "evil" was found in Roksandic's political activity both in the Republic Conference of the Croatian Youth League

and also in the Federal Conference of that same organization. In one of Roksandic's speeches, reprinted in OMLADINSKI TJEDNIK in April 1971, it was found that the youth official at that time, although himself a Serb, allegedly accused members of his nationality in Croatia of having a "servant mentality," and indeed he referred to them as "the base for the pro-Magyar policy," which had blocked "development of the Croatian nationality." In Krestic's mind, this meant that even then Roksandic had committed himself to the "mass movement" and that he had remained faithful to that conviction of his up to the present time. The Belgrade member of the academy drew the following conclusion, word for word, from all that: "Anyone who has a bit more familiarity with the more recent history of Croats and Serbs in Croatia will immediately realize that Drago Roksandic, associate professor in the School of Philosophy at Belgrade University, is not original at all in his interpretations of the Serbian past. This is an unscientific interpretation belonging in the field of daily politics that can be found in many newspapers of the Starcevic and Frankist persuasion, and in Ustasha papers as well. This is the interpretation that supplied one justification for the Serbian nationality in Croatia being subjected to Ustasha genocide on such a large scale. Nothing is more logical than to move out of the way the person who is standing in the road, who, like a servant, is blocking the development of the Croat nation. If sinister forces offered such an ideology several decades ago through malicious interpretations of the Serbian past, can an associate professor in the School of Philosophy at Belgrade University be allowed today to go on spreading the ideology of darkness, the ideology of genocide...? It is precisely to prevent that that I had to tell Roksandic that there is no place for him in the department. Many other views also...deserve condemnation, not only because they are scientifically unacceptable, but also because they are harmful and dangerous from the ethnic, political, and social standpoint."

The culmination of this judgment of Roksandic's scientific and moral-political profile followed on 6 October of this year in a report of the application of the candidate for reappointment as associate professor for the subject "History of Nationalities in This Century." Here, Krestic, with cosigners Mihajlo Vojvodic and Rados Ljusic, gave negative marks to almost all of Roksandic's work ("he did not fit appropriately into the community of the school...and in view of his age one could have expected more of him"), emphasizing that the principal characteristic of his interpretation of the ethnic past "consists of irrational hypercriticism of Serbian history and an idealized presentation of Croatian history," which is why he "blamed the Serbs for all the disputes that occurred in the 19th century between Croats and Serbs."

The Term 'Fraternal Serbs'

Roksandic responded in kind and with the same vocabulary to this avalanche of political attacks on his reputation, entirely unable to reconcile himself to the fact that he would have to pay the highest price for the

political regroupings in Serbia. For him, Krestic is above all a man who in the last several years has evolved into an unreserved "Serbian nationalist." Unable to find appropriate answers to many questions related to the national problem of the Serbs in the South Slav region, Roksandic believes, Krestic has himself begun to think in a manner appropriate to times which are irrecoverably behind us, with an always recognizable Serbian ethnocentrism and without caring about the historical interest of neighboring nationalities. Krestic, for example, really cannot understand that the "servile mentality" was developed for centuries in the Hapsburg Monarchy ("not only of the Serbs, but also of the Croats, which Krestic intentionally omitted from my text"), and this was evident in the massacres of Serbs in World War I, which were also carried out by Serbs from the Krajina. Today, Roksandic points out, Krestic and those who think like him are keeping silent about such "dark episodes," afraid that this might destroy "ethnic reconciliation" and "unity." For them, following the same principle, the term "Croatian Serbs," as Krestic once said with "extreme contempt," is almost identical to the term "Hungarian Gypsies," which drastically confirmed the paternalism over that segment of the Serbian nation. Roksandic, in short, accepts the assessment that there really is someone who is unfit to teach because of "poisoning the students," but that someone is Krestic.

The situation in the School of Philosophy of Belgrade University these days has been brought up to a white heat in the true sense of the word. Roksandic absolutely refuses to consent to his role as "intended victim." There is also no question of a compromise, since even earlier he rejected the informal offer that he be "promoted" to librarian. Rejection of all the rules of the game has resulted in a situation where the students will also suffer in all of this, since it is they who were chosen to "refuse hospitality" to Roksandic in the classroom. One of them, as a self-styled student delegate in the Teaching and Research Council of the school, does not want the competition for Roksandic's job to be advertised at all, and the presidium of the youth organization in the school has proposed as its official position that the "continued stay" of the unfit associate professor be reassessed. Roksandic subsequently managed to prove that the student meeting at which his teaching was given bad marks actually never occurred, and there is an official statement to that effect, but this seems to be of absolutely no interest to the responsible individuals at the school.

The school's faculty is deeply polarized by the events related to removal of the "unfit" associate professor Roksandic from his position. Krestic certainly would not have been able to succeed in his intention if he did not have the vigorous support of a small number of leading people in the school to whom he is tied above all by identical political and ethnic interests. The plan, however, is not being carried out at the imagined pace. The revival of Stalinist methods of dealing with those who are "unfit" certainly cannot win the approval of

numerous teachers, who also see this as a precedent with far-reaching consequences for preservation of the dignity of academic thought, precisely at a time when everyone is talking constantly about "political freedoms."

It is for precisely those reasons that several meetings have ended with unpleasant outbursts and threats of disciplinary measures. A petition to the Teaching and Research Council of the school, signed by 42 teachers, had a particular impact. Its signers warned that "one of the reasons why that institution had made its reputation was that it had not been allowing grounds that were not part of academic life, be they private or political, to be decisive in academic matters" and that "our readiness to stand for the values and traditions mentioned must not be cast in doubt." So far the leadership of the school has not offered an appropriate answer to that.

In a few days, on 7 December precisely, the last act of that political farce is to take place. Following two unsuccessful attempts at a vote of the Teaching and Research Council of the school, in which the civic and political courage of some of the members of that body was expressed in the absence of a quorum, an adverse report on Roksandic's work is finally going to be presented, and for all practical purposes this will throw the associate professor into the street and pin on him a lasting political label. Krestic would thereby finally take payment for his trouble caused by forced association with an "exponent of Croatian policy" in the School of Philosophy at Belgrade University, who unfortunately was discovered too late.

The organizers of the meeting have taken care this time that Roksandic, "supporter of the mass movement," will get the "punishment he deserves." Members of the Teaching and Research Council have been specifically advised that their absence will provoke the undertaking of disciplinary proceedings and the loss of 15 percent of their salary. And if the vote is open, any "disobedience" on the part of members of that body will have lasting consequences for their scholarly careers, especially those who see themselves in the foreseeable future as Krestic's colleagues in the Serbian Academy of Sciences and Arts.

Drago Roksandic is entirely right when he says that 7 December is not deciding his fate alone. Sooner or later the affair will have an impact on all its participants, including those who are today ducking it and trying to make themselves scarce. Should it turn out that the "Krestic case" was actually concealed behind the "Roksandic case" from the very beginning, this could be a lesson in which the history test was passed precisely by those who today are said to have done the poorest.

Ethnic Albanian Writer Describes Persecution in Montenegro

90EB0167A Belgrade MLADOST in Serbo-Croatian
20 Nov 89 pp 42-43

[Article and interview with writer and journalist Fehim Kajevic, by Dragan Biskupovic: "Fehim Kajevic, Writer:

Don't Turn Back, Fehim!"; date and place not given; first paragraph is MLADOST introduction]

[Text] The erstwhile vice president of the Writers Association of Montenegro talks about how to some in his former professional organization he served from the outset as a formal cover, about how and why he was beaten up in the middle of Titograd, and about what is still happening to him now, seven months later, because of that incident...

Montenegrin writer Fehim Kajevic won renown among his journalist peers as early as in 1971, while he was editor of NOVI SVET, the newspaper of the Kosovo Student Union. At that time, as the responsible editor of the paper in question, he published a series of articles by several authors, discussing the problems of our southern province. The greatest commotion was provoked by the article entitled, "Outvoting the Albanian Nation in Kosovo." After a series of similar articles, a commission was set up to investigate "the fitness of the editorial staff." The young men were proclaimed enemies, and Kajevic was relieved of his post. Unfortunately, the points made in the controversial articles have been realized in practice during the counterrevolutionary events from 1981 to present.

Afterwards, Kajevic moved to his own republic, settled in Titograd, became editor of RAD, the VSSJ [youth union] publication for Montenegro, where he still works today. Like any journalist, he has had work-related problems, but he has compensated for this with his literary work—seven of his collections of poems have been published. Now he is again being proscribed, and his name is being implicated in intelligence circles. Since he stepped down as vice president of the Writers Association of Montenegro and as a member of the association—for some he is an enemy, for some a friend—everything depends on how people view his problem.

[MLADOST] What is the problem, Fehim?

[Kajevic] The problem, as before, is in Kosovo. There I was pained by why, for example, the promenades were divided. Why are Albanians on one side and Serbs on the other? We young people, who do not divide ourselves into Albanians, Serbs, or Muslims, all walked in the middle. We supported a balance. We felt that that is a promenade of love. We didn't need divisions. We didn't, but apparently the bureaucracy does. After returning to Montenegro, up until 1981, everything seemed to me to be normal and dignified. Then, it was as if the Kosovo drama became a barometer for the Montenegrin area as well. Interethnic relations changed, suspicion arose, people informally accepted divisions. The role of the bureaucracy acting as a broker in this could be felt in a big way. Even under these circumstances, I continued to advocate the Yugoslav option, and I tried to make my approach to things as objective as possible.

[MLADOST] Did anyone reproach you for that?

[Kajevic] Of course. Because of my article "And God Is Closer Than the Municipality," in which I openly spoke out about the reasons that the children of a remote and backward place spend their free time "in contact with God," about the lack of roads leading in both directions from Bijele Poljane municipality to the village of Korito on the Pesterski plateau, I received chastisement from the party instead of praise. In this case as well, the bureaucracy was very efficient in its justification and retaliation. But despite that, I felt good when, shortly after my article was published, light replaced darkness in 10 villages—when they got electricity. I also had problems because of other articles, but it was because of one case, about which I have written several times, that I am filled with despair. Specifically, Vojislav Zizic, a worker at "Drvoimpeks" in Titograd, has yet to return to work after 13 years. The persecution of this man began when he exposed fraud in his collective and thus came into conflict with the bureaucratized leadership of that enterprise—which is well-connected in the family-clan sense—which simply refused to carry out the ruling handed down on his behalf!

[MLADOST] What effect has this bureaucratic-clan consciousness had on you?

[Kajevic] Knowing about it is very risky, but it has not touched me directly. I have never been on anyone's side, aside from the side of those who are right, even though with that attitude you really won't do very well in Montenegro. Specifically, here as well everyone has his own journalist, or rather the majority of journalists know where to find "their own" ideas, when necessary. The bureaucracy in Montenegro has divided journalists into locals and "foreigners." The locals are obedient, while the "foreigners," primarily reporters for publications outside the republic, are the black sheep of their profession. However, fate sometimes even plays a nasty trick on the ultra-obedient as well. Thus, while the reporters who have played a major role in the antibureaucratic changes in Montenegro include journalists from Radio Bar, NIKSICKE NOVINE, OMLADINSKI POKRET, and Radio Titograd, journalists from POBJEDA and TV Titograd, pricking up their ears to see "which way the wind is blowing" and who will or will not be "blown away," have hit rock bottom together with those whom they have followed and supported with utter obedience.

[MLADOST] POBJEDA did not report your case objectively either. Why?

[Kajevic] I talked about POBJEDA and its generally inaccurate writing about individual writers at the meeting of the Writers Section of members of the League of Communists of Montenegro on 6 April of this year. A writer who is born guilty, I said on that occasion, has no chance of denying any sort of heinous, reproduced lie, or to register his academic reaction to our POBJEDA... In other words, this reality does not apply to individual people in power, of irreplaceable character and virtue, who unfortunately, even after democratic, progressive

changes, remain in power... A writer from that publication is still threatened by the nation, the republic, the clan, the past, institutions, the public prosecutor, the court, the militia, imprisonment, and even Dobrota—the symbol of the insane asylum. He is not even afraid to chase out of Montenegro not only writers of a different mind from him (as was the case with nine writers who resigned after me), but their works as well.

[MLADOST] Did you suffer injury because of what you said?

[Kajevic] I don't know if that was it, but it is a fact that I was beaten up the following evening (7 April). I was thoroughly thrashed by three "unknown" bullies sometime after midnight near my house. I don't know exactly how much time later, after being unconscious, I woke up covered with blood in the darkness of a muddy street, where the thugs left me like a dog. It was not until five days later that POBJEDA, in the "Country" column (events in Montenegro) ran a timid report on it, and it would have been better to have nothing at all. They wrote that I was practically a participant in the scuffle, not that I was beaten black and blue by marauders; why did I spend 13 days in a Titograd hospital, to be discharged, before I had recovered, with a diagnosis of "minor injuries" (?) even though two teeth were knocked out and my crushed hand and cracked ribs are still not healed, and even though I continually complained of terrible headaches, an insufferable buzzing in my ears, and fainting spells? They even told me that I was ready for work. It is interesting that even POBJEDA's "medical consultation" stated that I had suffered "minor injuries," and that that is why no one visited me, nor—God forbid—inquired into "what really happened." That approach was presumably dictated. When I went for an examination in Belgrade, where I am safe, the doctors were appalled that someone in my state could be discharged from the hospital, and they immediately found serious physical injuries, putting me under continual or periodical supervision while on sick leave for around three months.

[MLADOST] How did the writers—or rather, the Writers Association—react to all of this?

[Kajevic] I expected the presidency of the organization to react immediately. However, it did not react for two months. To be sure, at that point they emphasized their indignation about the incident and demanded that the authorities shed full light on the case and publicly disclose all the facts, and that they determine beyond doubt the perpetrators and true motives of the attack.

[MLADOST] Have the authorities responded to that demand, and how?

[Kajevic] In a word, they have, but in the wrong way. For them, in fact, the main thing—the assault on me—became secondary, while certain other things came to the fore. Specifically, from the very outset the suspicion was raised that someone had assaulted me for personal reasons. Outraged, Milorad Raickovic, journalist and

"photographer" for the sports column in POBJEDA, expressed this doubt. It was he who two years ago was sentenced to three months in prison—one year suspended sentence—for a physical assault on me. Now he has charged me with slander, even though I never mentioned him. The court reacted immediately to his charge. Because the Titograd post office did not serve the court summons on me, Judge Miladin Adzic issued an injunction that I be brought before him. That is how I ended up on the defendant's bench before the thugs who attacked me. Although I explained and proved to Judge Adzic that the summons was not served on me, he threatened to bring me in again, "regardless of whether the summonses are served on me" (?!).

[MLADOST] Do you mean to say that someone is intentionally censoring and withholding your mail?

[Kajevic] With regard to the fact that it has become a regular occurrence for my mail to either arrive late or not arrive at all—the best proof of which is the failure of the court summonses to reach me—I think that this has to do with Milorad Raickovic's father, Vladimir, a former official with the "Telephone-Telegraph Titograd Working Collective" postal service, and that in this incredible case the postal service has been privatized by that family. In fact, the post office employs his two daughters, and his son Milorad used to work there too. At least it's all obvious now.

[MLADOST] Nothing is obvious to me now. How did your case turn out? Do they know who beat you up?

[Kajevic] It is incredible but true, that Zoran Zivkovic, the public prosecutor, called me to talk to him for the first time on 7 November, seven months to the day after that night when I was beaten up. And it at that meeting with him that the "true" surprise awaited me. The attack on me was discussed in passing, while the real subject of the talk was the new private charge against me lodged by one of Milorad Raickovic's sisters concerning some judgment handed down back in July of this year, which neither my lawyer nor I have received to this day. Thus, it is not at all clear to me what I am charged with, and even less what the public prosecutor, who is supposed to be investigating the assault on me, has to do with it. It is obvious that even the public prosecutor has switched the issue at hand, and that the main issue has become secondary for the sake of some secondary questions that have become primary.

[MLADOST] So did the public prosecutor at least tell you who attacked you and committed the crime against you?

[Kajevic] No. The public prosecutor has not told me, nor has the court, nor has the SUP [Internal Affairs Council]. Instead, police patrols inform me every day of new charges against them, together with threatening order to bring me in.

[MLADOST] Are these the reasons that you stepped down from your post as vice president of the Presidency

of the Writers Association of Montenegro, from your membership in the Writers Association, and from your membership in the Writers Section of members of the League of Communists?

[Kajevic] All of this undoubtedly accelerated my decision. In explaining it, I said that as vice president of the association I served as a formal cover for some of my comrades on the Presidency. Specifically, many of the meetings of the Presidency were held in my absence, and in general they involved aggressive discussions of commitment to everyday adversity instead of professional questions. The voice continually heard was that of two or three writers, members of the Presidency, instead of that of the Writers Association, so that their echo had already become largely identifiable by its unanimity. All this was done under the slogan "In the name of the people"—perhaps because it's easier to get things done in the name of the people. On the other hand, I found the reasons for my resignation from a cultural institution in the realization that in facing the judicial authorities, especially the judgeship and public prosecutor's office of Montenegro, I am at an utter disadvantage in terms of bureaucratic and family-clan connections, which have been in league with those who are bound by their official duty to defend my rights and freedom as a citizen and person on equal footing.

[Box, p 42]

"I would not be explicit or clear if I did not mention the person whose skillful hands are pulling the strings of this intricate web of my fate and destiny. It is, specifically, the lawyer Antonija Bulat-Stojanovic, who agreed to be my defender, neatly accepted my mandate, and promised to come to the trial. And she did come. However (?!), not as my defender, but rather as a lawyer for the other side, refusing me assistance and skillfully using against me everything that I had confided to her for use in my defense. Although this time I registered a protest with her professional organization, assuming that this is inconsistent with the minimum, necessary morals to engage in that profession, some 'invisible' hand prevented the matter from ever coming up for discussion before the Lawyers Chamber of Montenegro... Thus, the switching of the primary and the secondary has begun there as well"

[Box, p 43]

"For some time now, there has been a true state of siege around my house by police patrols and reconnaissance precisely because I am not receiving court summonses, even though I have argued and proven before the Titograd court and public prosecutor and SUP that their Titograd Postal Service is not delivering them to me, that there are forged signatures on them, altered dates, and so on, and that someone is intentionally doing all this at the post office in order to force the police to be sent out and in order that I be mistreated and humiliated in the environment where I live and work. On several occasions I have gone to the leadership at the Postal

Service and informed them that my mail is not arriving regularly, that someone at the post office is opening it in advance, and so on. In only one case did the director of the Postal Service, Milovan Pavicevic, inform me that my telegram to my lawyer in Belgrade 'was not delivered due to an incomplete address'—which was not true, because he avoided answering my question about why the telegram was not returned to me, and how would I know that it was not delivered..."

[Box, p 43]

"Thinking that the changes in the leadership of the republic have brought with them changes in the work and attitude of some of its services and bodies, I went

many times to Pavel Bulatovic, the republican secretary for internal affairs, with the request that they halt all these inhuman proceedings against me, led by the skillful hand of some older brother or fellow clan member. To this day, I have not received a response from the republican secretary, nor from any official of that service. I have the impression that my persecutors were even encouraged by my last appeal to Pavel Bulatovic, since the persecution is becoming not only more frequent, but also more brazen. On three occasions, instead of the expected response from the republican secretary there was a police patrol to take me away—for failure to respond to court summonses, and I am beginning to think that they are simply making fun of me?!"

INTRABLOC AFFAIRS

Faltering Steel Industry in East Europe Described

90EP0276A Warsaw RYNKI ZAGRANICZNE in Polish No 151, 19 Dec 89 p 3

[Article by Halina Binczak: "Death Knell for Steel Mills?"]

[Text] Reports about the possibility that production in the Lenin Steelworks in Krakow will be reduced is a virtual sign of the times in East European steelmaking. Forty years ago six countries began to build a system whose symbol were the Magnitorsk large furnaces and which envisaged the primacy of heavy industry in economics. The expansion, or even construction from the very foundation, of a steel industry, in any case, was even justified. The per capita consumption of steel at that time was deemed to be the most important indicator of economic development, and the countries of Central and Eastern Europe (apart from Czechoslovakia) were far behind in this respect.

Regarded as the most important sector of the economy, heavy industry was given investment priority strongly favoring steelmaking. Although the situation in the individual countries varied somewhat, the privileged position of the steel industry remained—with certain modifications—to the end of the previous decade. As a result of the expansion of potential in 1988, six Eastern Europe countries plus the USSR, were producing 224 million tons of raw steel—over 30 percent of the world production and almost as much as the EEC and the United States combined.

The size of this production gives these countries a place among the world's industrial powers, but that is their only reason for pride. In the 1980's, things began to get much worse in steelmaking. Signs of economic crisis in the CEMA countries began to become more and more apparent, there began to be a shortage of money, and the steel plants, which were devouring huge subsidies, found themselves under heavy criticism. Western Europe set the example by vigorously forcing steelmaking—which was often state-owned, to adapt its operations to the rules of the marketplace. Finally the ecological movement appeared, which made the people aware of what steelmaking, especially as practiced in Eastern Europe, is doing to the environment. The action of the "Greens" is gaining impetus particularly now, when political revolutions are taking place in the countries of the former socialist camp, and no one knows how this will end for the steel industry. Therefore, in addition to the specter of economics, the specter of ecology hovers over the steelworks.

Steel industry experts believe that the situation in Eastern Europe is reminiscent of what happened in the Western part of the continent a few or several years ago. Steelmaking there improved its financial condition, but to do this it had to have the assistance of the state and a deep restructuring of the entire sector had to take place.

This involved cuts in manufacturing capacity, a large reduction in employment, and the application of modern production technologies and efficient, computer-assisted management systems. Moreover, EEC provided the steel industry with a period of protection, which is still in effect, in the form of import restrictions. Shielded from the competition of cheaper foreign products, the steelworks conducted this process for a few years. The British Steel Corporation, which had begun to reduce production already towards the end of the past decade, was the most successful.

For the last two years the changes in steelmaking among the "12" were helped along by the boom on the world steel market. Demand rose greatly, both domestic and from customers outside of the Community. In 1988, the steelmills in those countries increased their production by almost 9 percent. The larger demand also turned out to be good for the socialist countries, primarily due to the considerable growth of prices. But the effect of the boom on the size of export from East European countries was limited, because often they could not change the assortment of production quickly enough to meet customer requirements. This led to a paradoxical situation: the somewhat more liberal quotas of import to EEC were not used up due to lack of the grades of steel in demand.

In any case, the export potential of the steel industry in the CEMA countries is limited due to central distribution of steel products. The domestic market has first priority, and the sales potential is really unlimited. There is a great demand for steel in the East European economy, which is partially the result of technical backwardness and also, ordinary waste. Therefore, although capacity utilization in the East European steelmills is 95-98 percent, there is an overall shortage of steel for export.

The generally weak ties with the world market—as the share of export in production shown in the table indicates—means that production takes place without the effect of competition, which very obviously has an impact on the present state of affairs. The situation in Hungary, which was one of the first East European countries to make changes in the steelmaking industry, and in the GDR, is somewhat different. When steelmaking was still very strong, the combines there developed coproduction ties with steelmills in the FRG and they are now bearing fruit. The share of export in production is the lowest in the Soviet steel industry, although in absolute numbers these are the largest deliveries. The USSR's low interest in foreign sales is due primarily to the enormous needs of the domestic market. Furthermore the quality of their products, which go mainly to CEMA partners, is also an important factor.

But even within the CEMA, trade in steel products is not highly developed. This is due, among other things, to the lack of variety in the assortment structure, the inflexible planning system which requires that deliveries be specified many months (or years) in advance, and the

accounts-settlement and payment system. Every member-state gives priority to convertible currency over transferable rubles, and the crisis of the recent years has strengthened this tendency. The separateness of the East European currencies from the world system has meant that until recently no real attention was paid to the relationship between the domestic costs of producing the goods and the foreign-exchange profits derived from exporting them. The commodity structure of imports also works to the disadvantage of the East European suppliers. The less-processed products predominate in this structure, therefore the cheapest. These are, among other things, rails and various types of construction steels. The East European countries produce relatively little coated sheet, tubes, stainless steel products, etc. It is just these types of products which they buy in large quantities from the developed countries.

Difficulties in export are the clearest and most visible proof that the situation in the steel industry is bad. The declaration of cooperation between production plants has not prevented this. Most of the turnovers at "Intermetal," a specialty division of CEMA, are raw materials and semifinished products. Coproduction at the later stages of processing accounts for only marginal turnovers.

The CEMA countries want to overcome these difficulties by investing in steelmaking. The first to do so was Hungary, where the restructurization of the steel industry is also the furthest along. However, whether the planned investments will be fully completed is questionable due to the political upheavals in all CEMA countries (except Romania) and their financial problems. But it must be believed that the work which has already been begun will be finished sooner or later.

The range of these investments is large. At a new metallurgical works in Burgas, Bulgaria, the construction of a continuous-casting department is underway, and in another of the plants a hot-rolled strip mill is being installed. The Hungarian combine "Dunai Vasmus" is modernizing a sheetmetal department and some departments in the steelworks in Ozd and the Lenin Combine are being completely rebuilt. Similar work is being done in the GDR: in three combines which make up the country's entire steel industry, expansion of the cold-rolled sheet mills is underway. A Romanian seamless tubing factory is being built, and in Czechoslovakia, just as in the GDR, the production capacity of cold-rolled sheet metal is being expanded. Furthermore, in the steelworks in Beroun a corrosion-resistant steel production department is being set up, and in Kladnie, one for alloy steels.

The most extensive investments are planned for Soviet enterprises. Huge steel combines are to be modernized. Western firms are interested in modernizing Soviet metallurgy. The Ilvva firm from Italy is sending equipment (it inherited this contract from Finsider), the Austrian firm Voest Alpine is sending equipment, and many West German enterprises are operating there also.

As a rule, the suppliers are concerned not only with the receipts from the investment contract itself, but also with establishing a better place for themselves on the market, which is regarded to be extremely good for steel products, especially those like tubing, quality steels, specialty steels, etc.

The investment needs on the regional scale are much larger than the work which has already been begun. We need only to remember that almost half (48.5 percent in 1988) of the raw steel in CEMA countries is smelted in open-hearth furnaces. Worst in this regard is the situation in the USSR, where most of the steel is produced in just this way. This method, so extremely damaging to the environment, has been completely discontinued in Western Europe. A few similar pieces of equipment are still in operation in the United States, and open-hearth furnaces are used on a large scale now only in India and China.

The technical level of East European steelmaking is shown also by the small total share of continuous casting, although progress in this area is visible (continuous-casting equipment was to be installed in the Lenin Steelworks in Krakow). This is a method which provides for greater savings in the use of the starting material, i.e., raw steel, and is usually the first stage in "consumption reduction", both of metal products and the machines and equipment which are formed from them. This is shown by the per capita consumption of steel. Czechoslovakia holds the world record—about 700 kg in 1987, but in other East European countries consumption is also higher than in the industrialized countries.

According to Western assessments, restructurization of the steel industry in CEMA countries would mean a drop in production amounting to 6-10 million tons a year, i.e., over 10 percent of the present amount (excluding the USSR). This is supposed to occur as a result of savings in materials and a decline in domestic demand. Foreign experts believe that the greatest drop, as much as 15 percent, will be in the production of structural steel due to an anticipated stagnation in construction. They also believe that elimination of subsidies and a consistent "economization" of the steel industry will make it possible for CEMA to achieve a rather good competitive position in a couple of years due to wages, which are lower than in Western Europe. Furthermore, restructurization should include the signing of production-type agreements with Western factories. Hungary is doing this, as is the GDR. This will bring East European firms closer to the world level. The Hungarians anticipate the removal, beginning next year, of all restrictions on the importation of steel products. This should improve the competitiveness of local products. Similar moves in the area of import should be expected in Poland.

Changes in East European steelmaking are taking place under adverse conditions primarily because of financial problems. Nowhere are they as bad as in Poland, but neither are Czechoslovakia, Bulgaria or the USSR able to afford unlimited subsidies to the steel industry. The

future of steelmaking in this part of the world is also uncertain because after years of inefficient investment in heavy industry there is a natural tendency to go to

investments which will produce quick profits in more modern and less damaging fields, such as electronics or services.

Production, Export, and Consumption of Raw Steel

Country	Raw Steel Smelted, in thousand tons, 1988	Percent, 1988-80	Use of continuous casting in production, in percent, 1988	Export, in thous tons, 1987	Percent of production in 1987 export	Percent share in 1987 world export	Per capita raw steel consumption, in kg, 1987
World	778000	+11.1	54.4	129000	17.0	100.0	na
Bulgaria	2880	+10.8	15.5	792	26.0	0.6	381
Czechoslovakia	15380	+1.1	8.7	4128	26.8	3.2	703
GDR	8133	+11.4	39.6	3943	47.8	3.1	581
Poland	16873	-13.5	11.1	2280	13.3	1.8	422
Romania	14500 ^a	+9.8	33.4 ^b	3060 ^c	21.4 ^c	2.4 ^c	486 ^c
Hungary	3882	+2.1	63.2	1407	38.8	1.1	307
USSR	163046	+10.2	16.6	9118 ^a	5.6 ^a	na	582
Austria	4560	-10.6	95.5	3068	71.3	2.4	286
France	19080	-14.5	93.1 ^b	10466	59.2	8.1	259
Spain	1859	9.8	74.4	4774	40.8	3.7	214
Yugoslavia	4329	+80.4	59.6	1732	39.9	1.3	170
FRG	41023	-6.4	88.6	18138	50.0	14.1	457
Turkey	7983	na	81.8	na	na	na	149
Great Britain	18976	+65.0	77.5 ^b	6465	37.1	5.0	259
Italy	23760	-10.3	82.9	7226	31.6	5.6	397

a—UN estimate; b—1987 statistics; c—1986 statistics

BULGARIA

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[Text]

Announcement of the Central Statistical Administration

In 1989 the country's socioeconomic development took place under difficult conditions. The situation was strongly influenced by the negative phenomena and problems which had been accumulating for a number of years. The numerous changes in the organizational structure and in the regulations governing economic activities, and the grave errors which were made in the political, economic, and social areas led to economic destabilization and disruption of basic balances and proportions. The reduction in the pace of economic growth, which began at the start of the 1980's, was manifested most strongly in 1989.

The basic indicators of the country's socioeconomic development in 1989 are characterized by the following data:

Indicator	Reported 1989	1989 as a Percent of 1988
Generated national income, million leva	30,006	99.6
Overall industrial output, million leva	62,333	101.1
Agricultural output, million leva	9,391	99.6
Retail trade, million leva	18,928	100.4
Foreign trade, million foreign exchange leva	26,058	91.9
Capital investments, million leva	9,500	92.3
Installed fixed capital, million leva	6,900	81.9
Number of workers and employees in the national income, thousands	4,091	97.2
Average worker and employee wage in the national economy, leva	3,186	105.3

The average annual growth of the national income for the 1981-85 period was 3.7 percent; it was 3.1 percent for the 1986-89 period; the increase for 1988 was 2.5 percent; according to preliminary estimates, the national income for 1989 declined by 0.4 percent. The December results affected particularly adversely the pace of development in 1989, when industrial production declined by 12.7 percent compared to December 1988. Another

influential factor was the scarcity of workers resulting from intensive population dynamics. Between June and December some 170,000 less people were employed in the national economy compared to the same period in 1988. The losses caused by migration processes were not compensated despite the initiative displayed by the labor collectives of working an extended labor day and during some days of rest. Compared to 1988, there was a drop in output by 217 or 42 percent of the companies using state property. The production of imported industrial and agricultural commodities and of basic goods for the domestic market declined.

In 1989 3.653 billion leva were invested in technological updating, or 42 percent of the overall volume of capital investments.

A total of 949 new highly-productive machines with numerical programming systems, 257 comprehensive mechanized technological lines, 76 automatic technological modules, 69 automated systems for controlling technological processes, etc., were installed in industry.

In the area of technical progress, during the year work was done on a large number of assignments but of limited significance in terms of the technological updating of the production process, which is still taking place slowly and inefficiently, thus letting the country fall even further behind global standards.

By the end of 1989 fixed production capital in the national economy totaled 89.7 billion leva (based on prices for the respective year). This material production base, which is relatively high for the scale of the country, is to a large extent physically obsolete and operates on a low equipment and technological level. About 40 percent of the assets have been in use for more than 10 years. A considerable percentage are totally amortized. This especially applies to production capacities in the power industry, metallurgy, the chemical, food, and light industries and agriculture.

For a number of years the highest share in the production structure in industry has been that of machine building (including the electronic and electrical engineering industries) which, in 1989, accounted for 33.3 percent of industrial output. Meanwhile, the share of the light and food industries has been declining steadily: In 1985 they accounted for 33.8 percent of the output, compared to 31.4 percent in 1989.

During the year, the organization of a new structure of the country's economic activities—companies—was undertaken. By the end of the year 1,295 companies had been registered (excluding those of individual citizens). These companies accounted for 64 percent of the output in nonagricultural sectors. There are 463 companies working with state property and 615 with municipal

property. Their organization without adequate and clear legal rules and experimenting with economic conditions and regulatory agents, and gross bureaucratic administration in the establishment of many of the companies prevented such organizations for economic activities to prove their advantages. Most of their balance sheet profits—about 70 percent—went to the state budget and the municipal people's councils. Some 20 percent less funds compared with 1988 were withheld for the Expansion and Technological Updating Fund, which further limited the possibilities of the companies to promote the technological updating of output. Fewer funds were withheld also for the Social and Cultural Projects Fund.

Furthermore, in accordance with the Regulation on the Application of the Ukase on Economic Activities, the wage funds were made dependent on the profits earned by the companies, without linking them to the growth of output in physical terms. In the nonagricultural sectors the growth of the wage funds, compared with 1988, was 3.2 percent whereas output rose by no more than 0.8 percent. The situation in 1987 and 1988 was the same.

The faster increase of the wage fund compared to the growth of output, the drop in the production of a number of basic commodities for the basic market and the fewer installed capital assets compared with capital investments led to increased inflationary pressure.

The insufficient and, in a number of cases, reduced production of important raw and other materials and items based on cooperated supplies, compared with 1988, disrupted technological relations along the entire production chain.

These basic trends in the development of the country in 1989 indicate a difficult, a crisis condition of our economy.

(Note: Not included in this announcement are data on the country's foreign debt, the budget deficit, and available funds of the population, for this information is not available to the Central Statistical Administration.)

Industry

Compared with 1988, industrial commodity output increased by 0.6 percent. To a substantial extent the increase in industrial output was the result of the aspiration of the economic organizations to engage in the production of more expensive and, therefore, more profitable items, which increased the value figures of their output and the growth rates without adequate physical backing. This is confirmed by the fact that the production of 46 percent of basic industrial commodities was lower than in 1988 in physical terms.

The produced industrial commodities by sector were as follows:

(Figures given in percent)

Sector	1989 as a Percent of 1988	Share of Overall Output	
		1988	1989
Production of electric and thermal power	99.3	4.5	4.4
Coal industry	99.9	1.1	1.1
Petroleum extraction	98.0	0.0	0.0
Ferrous metallurgy	97.5	3.0	3.0
Nonferrous metallurgy	100.5	2.6	2.6
Machine building	98.8	33.8	33.3
Chemical and petroleum refining industry	101.1	14.5	14.6
Construction materials industry	95.7	2.8	2.6
Timber extraction and processing industry	100.3	2.7	2.7
Cellulose-paper industry	96.1	1.1	1.1
Glassware and porcelain industry	98.5	0.9	0.9
Textile industry	104.5	5.0	5.2
Clothing industry	103.2	1.8	1.9
Leather-fur and shoe industry	104.2	1.6	1.6
Printing industry	108.7	0.4	0.4
Food industry	101.9	21.5	21.8
Other industrial sectors	103.9	2.7	2.8

In the sectors consumer goods producing sectors, compared with 1988 output increased by 2.8 percent. For the first time since 1981 these sectors developed at a higher pace compared to sectors engaged in the production of means of production. This, however, was not due to their accelerated development but to a drop in the rates of output of sectors producing means of production. For that reason the faster development of the light and food industries last year did not bring about the increase in goods for the domestic market needed by the country.

The production of basic consumer goods in physical terms was as follows:

	1989 Output	1989 as a Percent of 1988
Automatic washing machines, units	57,215	99.9
Electric boilers, thousands	132	92.2
Passenger car tires, thousand	996	101.6
Furniture, million leva	600	101.9
Porcelain tiles, millions	287	82.2
Shoes, thousand pairs	27,274	103.4
Clothing, million leva	982	106.2
Upper knitted clothing, million pieces	85	95.7
Knitted underwear, million pieces	74	94.1

Cotton and cotton-type fabrics, million meters	357	98.5
Woolen and woolen-type fabrics, million meters	37	100.4
Silk and silk-type fabrics, million meters	42	103.9
Meat, thousand tons	591	104.1
Butter, thousand tons	22	93.0
Cheese, thousand tons	113	99.1
Vegetable oils, thousand tons	159	102.2
Flour, thousand tons	1,256	99.2
Sugar, thousand tons	351	97.5
Confectionery goods, thousand tons	116	96.9
Cooked and semi-cooked food, thousand tons	79	109.7
Canned vegetables (excluding pickled), thousand tons	287	85.7
Canned fruits, thousand tons	268	114.5
Children's foods, thousand tons	26	92.7
Table wines, million liters	257	75.8
Beer, million liters	672	106.1
Tobacco products, thousand tons	86	96.1

The volume of output in the sectors engaged in the production of means of production was 1.1 percent below the 1988 output. There has been a decline in virtually all sectors but the highest one was in machine building. Output in physical terms of some basic goods in the sectors producing means of production was as follows:

	1989 Output	1989 as a Percent of 1988
Electric power, billion kilowatt hours	44	98.3
Thermal energy, million gigacalories	31.1	93.5
Coal (cleaned), million tons	34.3	100.5
Metallurgical cast iron, thousand tons	1,484	103.3
Steel, thousand tons	2,699	100.7
Rolled ferrous metals, thousand tons	3,037	91.5
Rolled ferrous metal goods, thousand tons	650	92.3
Heating radiators, thousand square meters	1,059	90.7
Chemical fertilizers (based on 100 percent nutritive substance), thousand tons	1,095	96.5
Chemical fibers and silks, thousand tons	59	013.2
Plastics, thousand tons	232	93.4
Polyvinyl chloride pipes, thousand tons	26	78.8
PVC flooring, million square meters	27	89.5
Tires for trucks, buses, trolley buses, and trailers, thousands	888	102.2
Paints and dyes, thousand tons	77	106.4

Coniferous timber materials, thousand board cubic meters	1,053	103.0
Deciduous timber materials, thousand board cubic meters	1,619	92.8
Hard timber-fiber tiles, thousand cubic meters	101	92.2
Cellulose, based 88 percent absolutely dry substance, thousand tons	173	99.1
Paper, million square meters	5,050	99.0
Design automation systems, pieces	203	95.6
Programmed control lathes, pieces	571	107.1
Industrial robot and manipulators, pieces	1,051	43.4
Electronic tools, thousands	331	104.2
Trucks, piece	7,849	115.2
Buses, pieces	2,141	89.2
Ships, pieces	14	66.7
Electric cars, pieces	47,455	100.1
Motor cars, pieces	37,038	105.6
Electric telpers, thousands	138	101.1
Internal combustion engines, pieces	46,825	110.4
Tractors, pieces	4,956	93.1
Combines, pieces	19,987	96.6

The planned quantities for 34.7 percent of the items based on state orders and 43.2 percent of state orders for mastering the production of new and improved items were produced.

New and improved goods worth 5.9 billion leva or 11.0 percent of the overall volume of industrial commodity output were produced. Although this figure is higher than the level reached in 1988, renovation processes in industry are developing slowly and are not providing the necessary increase in production efficiency.

Material outlays per 100-leva industrial output were lowered by 1 percent compared to 1988. This was largely the result of the orientation toward the production of more expensive items. Abstracting ourselves from the price factors, actually the material intensiveness of industrial output remained roughly on the 1988 level.

Balance sheet profit in industry totaled 6.793 billion leva or were 9.7 percent higher than in 1988. This sum, in accordance with the Regulation on the Application of the Ukase on Economic Activities, includes 1.171 billion leva of bonuses added to production prices, export bonuses and subsidies for retail prices, contributed by the budget. Excluding them, industrial profits totaled 5.622 billion leva.

A high number of industrial companies worked at a loss. In 23 companies using state property, losses exceeded 1 million leva, totaling 487 million. They include Stomana, 99.5 million leva; Kremikovtsi, 88.6 million; Promet, 54.1 million; Radomir-Metal, 38.5 million; Agrobiokhim, 37.5 million; Stomanoleene, 22.6 million;

and Bulgarplod Economic Trust, 15.5 million. Firms with losses in excess of 1 million leva received budget subsidies of some 764 million leva to stimulate production, and 273.3 million leva in production price bonuses, bonuses for exports and retail price subsidies.

Agriculture

Compared to 1988, agricultural output, in comparable prices, declined by 0.4 percent.

All categories of farms produced greater amounts of grain, sunflower, sugar beets, tomatoes, potatoes, apples, and peaches. However, in the case of most basic crops, the average annual output for the 1981-85 period was not attained. The production of tobacco, bell peppers, and grapes declined.

The production of basic agricultural commodities was as follows:

(Thousand Tons)				
	Average Annual Output for the Period		1988	1989
	1981-85	1986-89		
Grain crops, including	8,357.2	8,434.9	7,928.2	9,787.1
Wheat	4,173.4	4,655.0	4,743.1	5,401.6
Barley	1,193.6	1,279.1	1,312.7	1,568.2
Corn	2,655.5	2,171.0	1,557.2	2,421.2
Beans	53.8	37.6	28.5	45.8
Sunflowers	449.7	430.2	374.3	447.3
Sugar beets for processing	1,084.5	786.0	626.1	912.0
Tobacco	131.1	1,114.6	116.1	83.2
Cotton (unginned)	15.7	15.9	13.0	12.9
Flax stalks	8.5	5.9	6.8	4.5
Hemp stalks	20.2	8.6	3.5	2.7
Vegetables	1,624.9	1,581.6	1,618.3	1,611.3
Including tomatoes, total	821.5	811.0	806.2	850.1
Bell peppers	234.9	202.6	225.9	166.8
Onions	75.7	93.8	96.2	109.9
Potatoes	431.2	425.7	357.7	537.7
Fruits	2,100.7	1,825.4	1,788.6	1,756.1
Including apples	437.7	403.8	334.5	398.3
Peaches	91.8	68.4	62.5	96.7
Plums	140.9	124.3	139.3	139.0
Grapes	1,079.6	1,000.8	922.3	754.0

Compared to 1988 the higher output is the result of higher average yields and increased area in crops (with the exception of wheat and apples). The drop in the production of tobacco and bell peppers is due mainly to a reduction in areas, respectively by 145,000 and 18,000 decares.

A greater increase in grain production was recorded in Varna Oblast, 441,000 tons; Lovech, 390,000 tons; and Razgrad, 284,000 tons. There was a substantial drop in the production of grapes in the following oblasts: Burgas, 40,000 tons; Lovech, 39,000 tons; and Razgrad, 30,000 tons; of bell peppers: Plovdiv, 20,000 tons; Lovech, 10,000 tons; tobacco, Khaskovo, 9,000 tons; Razgrad and Varna, 8,000 tons each.

For the 1990 farm crops, the agricultural organizations planted 11.306 million decares in wheat and 3.357 million decares in barley or a total of 3,000 decares more than in 1989.

By 1 July arable land totaled 46.5 million decares or 34,000 decares less compared to the same date in 1988. Unused land totaled 860,000 decares or 1.8 percent of the entire arable land.

The adverse trend in animal husbandry continued. The number of cattle and sheep and the production of milk, eggs, and wool declined.

On 1 January the amount of livestock was as follows:

(Figures given in thousands)

	1986	1989	1990
Cattle	1,706	1,612	1,577
Including cows	670	648	623
Hogs	3,912	4,119	4,352
Including sows	337	364	381
Sheep	9,724	8,609	7,988
Including ewes and ewe lambs	6,734	6,011	5,785
Poultry	39,227	41,805	40,403

The reduction in the number of cattle in the population's farms was even greater—8.2 percent.

The increased number of hogs and the decreased number of cattle and sheep led to changes in the structure of meat production. In 1970 meat from hogs in live weight accounted for 31.2 percent of the overall output; it accounted for 46.1 percent in 1989.

Compared to 1988 there was a decline in milk production by 66 million liters and eggs by 143 million; livestock and poultry for slaughter, in live weight, increased by 40,500 tons.

The production of livestock goods was as follows:

	1989 as a Percent of		
	1989	1986	1988
Milk, million liters	2,427	96.2	97.4
Eggs, millions	2,731	95.7	95.0
Livestock for slaughter, live weight, thousand tons	1,347	105.2	103.1
Wool, tons	28,461	85.8	92.8

Reduced milk production is also the result of the lower productivity of the animals. In the agricultural organizations the average milk production per fodder-fed cow dropped by 78 liters or 2.0 percent compared with 1988.

Compared with 1988, greater quantities of cattle and poultry were purchased, totaling 22,600 tons; however, milk purchases declined by 33,800 liters and eggs by 80,700. More meat was purchased in all oblasts with the exception of Razgrad; more milk was purchased in Plovdiv and Sofia and eggs in Mikhaylovgrad and Khaskovo Oblasts.

Among the basic plant products, increased purchases totaled 55,300 tons of grain for bread, 2,100 tons of onions, 35,400 tons of tomatoes, 89,300 tons of potatoes, and 4,600 tons of legumes. The amount of purchased vegetables declined by 17,200 tons.

Purchased animal husbandry products, by producer category, were as follows:

Livestock Products	Agricultural Organizations			
	Purchased Amounts	1989 as a Percent of 1988	Private Farms Purchased Amounts	1989 as a Percent of 1988
Cattle and poultry in slaughtered weight, thousand tons	400.5	102.9	233.0	105.1
Including poultry, thousand tons	85.4	109.9	66.8	103.6
Milk, million liters	1,867.2	97.7	343.6	103.2
Eggs, millions	1,367.9	96.7	322.2	90.6

The data show that in 1989 as well the trend of adverse development of agriculture continued. This was reflected in supplies to the population of agricultural commodities, fresh and processed, and failure to supply the processing industry and export sectors with the necessary products.

Capital Investments and Construction

Compared to 1988, capital investments in the national economy declined by 788 million leva.

A substantial percentage of the investments were in raw material-energy sectors, machine building, and the chemical industry. Meanwhile, the already low share of investments in the development of the food industry declined further, from 6.7 percent in 1988 to 6.2 percent in 1989, and of light industry, from 5.1 to 3.4 percent.

The structure of capital investments in material production, although the share of machines and equipment within it increased by 56.4 percent, does not meet the requirements of technological updating of the production process.

The construction and installation organizations and companies (as the main performers) carried out construction work worth 4.3 billion leva or 3.2 percent less than in 1988. There was a shortage of manpower and basic construction materials. There was a decline in the production of cement by 9.5 percent; bricks, 2.9 percent; tiles, 24.3 percent; prestressed reinforced concrete, 11.5 percent; and insulation materials, 10.9 percent.

Installed production assets totaled 1.5 billion leva less compared with the previous year. Major projects of the power industry, targeted for 1989, worth a total of 1.7 billion leva, were not commissioned, including the sixth block of the Kozloduy Nuclear Power Plant, the Chaira Pumping-Storage Hydroelectric Plant, the Maritsa-Iztok Thermolectric Power Plant, and others, as a result of which the country was left without reserve capacities and is once again experiencing serious electric power supply difficulties.

In the food and light industries and agriculture the planned capacities were not installed, which is affecting the supply of commodities for the domestic market.

Installed fixed capital is some 2.5 billion leva less than capital investment. For this reason, unfinished construction exceeded the huge amount of 14.5 billion leva. With an average annual increase of unfinished construction of about 650 million leva for the 1981-88 period, in 1989 alone the increase nearly quadrupled.

The low efficiency of investments and the increase in the volume of unfinished construction, which is an essential factor in material production, are adversely affecting the overall reproduction process and the living standard of the population.

Transportation and Communications

Income from transportation was 1.4 percent higher compared with 1988. However, the volume of freight which was hauled declined by 4.0 percent.

	Freight Hauled in 1989, Thousand Tons	1989 as a Percent of 1988
By rail	77,263	97.4
By public use automotive vehicles	31,1654	95.6

Maritime transportation	25,517	106.3
River transportation	3,350	91.2
By air	21	80.1
By pipeline	19,140	87.3

The volume of trucked goods declined by 4.5 percent and that of international trucking increased by 6.8 percent. There was an increased number of coastal and international freight transportation by maritime vessels.

A total of 2.934 billion passengers were transported or 2.9 percent less than in 1988. At peak times an additional 467 trains with 3,524 cars were put in circulation and the number of cars of 2,472 trains was increased by 6,082.

Some technologies were applied and equipment built, aimed at improving the material and technical facilities in the rail, air, and water transportation systems. However, they were quite inadequate in terms of improving transportation activities and ensuring traffic safety. During the year freight and passenger transportation experienced a shortage of transportation facilities and drivers. Quite frequently already amortized transportation facilities were used.

The state motor vehicle companies were supplied with 1,100 buses although 2,300 were needed for the year. Ten of the expected 100-120 trolley buses were procured, for which reason trolley bus transportation was not organized in Vratsa, V. Turnovo, Shumen, and Vidin. The necessary passenger coaches as well were not procured.

The traffic situation worsened. Compared with 1988, the number of traffic accidents increased by 340, totaling 6,313. A total of 1,280 people died on the country's roads, an increase of 127. A total of 6,779 people were injured or 487 more than in 1988. More than 27 percent of the fatal casualties and nearly 18 percent of the injured were children under 7 years of age and adults over 60. During the year there were 38 railroad catastrophes and 17 accidents.

Income from communications services increased by 7.3 percent compared with 1988. The postal system was expanded by another 18 post offices, 11 of which in the villages. A total of 126,656 new telephone sets were installed, 101,633 of which for private use. Another 315 telex facilities were opened; 43 radio relay centers and 61 television translators were installed.

Foreign Trade Activities

Compared with 1988, in 1989 Bulgarian foreign trade declined by 2.3 billion foreign exchange leva or 8.1 percent. Goods worth 13.5 billion foreign exchange leva

were exported or 6.3 percent less, and goods worth 12.6 billion foreign exchange leva or 9.9 percent less were imported.

Trade with CEMA members totaled 20.8 billion foreign exchange leva, i.e., it was 7.1 percent less than in 1988. The decline comes both from exports, which dropped by 3.8 percent, as well as lesser imports, by 10.7 percent.

Trade with the developed capitalist countries totaled 3.121 billion foreign exchange leva or 1.5 percent more than in 1988. Exports totaled 982 million foreign exchange leva or an increase of 56 million; imports totaled 2.139 billion leva or a drop of 13 million foreign exchange leva.

Machine and equipment exports declined by 643 million foreign exchange leva or 7.5 percent; their share in the overall volume of exports declined from 60.5 percent in 1988 to 59.8 percent in 1989. There were also fewer exports of fuels, mineral raw materials, metals, chemicals, and raw materials for the production of foodstuffs.

There were increased exports of raw materials for the production of food and comestible goods, machines, and equipment. There was a decline in imported fuels, mineral raw materials, and metals (by 772 million foreign exchange leva or 15.1 percent), chemicals (by 127 million foreign exchange leva or 16.8 percent), and construction parts (by 18 million foreign exchange leva or 16.2 percent).

During the year the positive trade balance totaled 955 million foreign exchange leva, which is the result of import limitations and reductions.

Social Development

At the end of 1989 the Bulgarian population (including those temporarily absent from the country) totaled 8.993 million. The natural growth dropped below one per thousand. The birthrate continued to decline: from 13.1 per thousand in 1988 to 12.6 per thousand in 1989. Mortality among children under 1 increased from 13.0 to 14.4 per 1000 liveborn; two-thirds of the increase was due to rural infant mortality.

The nominal monthly wage of workers and employees in the national economy was 255 leva or 13 leva higher than in 1988.

The Central Statistical Administration conducted a survey of the classification of employed individuals by wage for December 1989. The survey included 2.542 million people or 62 percent of employed individuals. The data show the following:

	Percent
160 leva or less	9.1
161 to 180	6.6
181 to 200	8.3
201 to 250	19.8

251 to 300	17.5
301 to 350	13.7
351 to 450	13.2
More than 450	11.8

Compared to 1988, real per capita income declined by 2.4 percent.

Compared to 1988, social consumption funds increased by 440 million leva, 258 million of which for pensions.

Social consumption funds averaged, on a per capita basis, 1,002 leva or 48 leva more than in 1988.

The number of pensions reached 2.327 million. In terms of amounts, their breakdown is as follows:

Groups of Basic Monthly Pension Amounts	Number in Thousands	Percent
100 leva or less	1,152	49.5
101-120	401	17.2
121-150	354	15.2
151-200	297	12.8
201-250	74	3.2
251-300	27	1.2
Over 300	22	0.9

The data indicate that both in terms of wages and pensions, a substantial percentage of the population remains with a low income and subsists roughly on the socially minimal level.

The country's market was supplied with domestically produced goods worth 17.2 billion leva (based on current retail prices). In terms of value this amount was 1.6 billion leva higher compared with 1988. Despite increased commodity supplies in terms of value, which was largely due to the production of more expensive goods, demand for a number of consumer goods remained unsatisfied. In the case of 43 percent of watched basic commodities, the quantities supplied to the domestic market declined compared to 1988. This includes important consumption goods in daily demand, such as milk, which declined by 0.9 percent; cheese, 12.0 percent; kasseri, 1.5 percent; butter, 0.7 percent; lard, 13.6 percent; sugar, 4.6 percent; confectionery goods, 1.3 percent; fish and fish products, 8.4 percent; vegetable oils, 2.0 percent; sterilized canned vegetables, 2.0 percent; foods for children, 4.1 percent; clothing for adolescents and children by 4.0 percent woolen, 9.8 percent underwear for children and babies, 2.7 percent cotton upper knitted goods, 0.4 percent children's shoes, 7.7 percent slippers, 5.5 percent rubber shoes, 45.5 percent heating stoves burning solid fuel, 12.0 percent cooking ranges, 12.5 percent lignite coal, 7.4 percent brown coal, and 0.4 percent lignite briquettes. This condition of

commodity stocks sharply raised the question of feeding the population and supplying it with heating materials for the winter months.

On a competitive basis, additional funds were allocated, mostly foreign exchange, for the additional production of goods for the domestic market, worth 1.5 billion leva. By the end of the year goods worth about 1.2 billion leva had been produced. They account for 73 percent of the overall increase in commodity stocks but a significant percentage of them—more than 20 percent—consists of cigarettes, alcoholic beverages, and cosmetics. Nor did the companies set up by private citizens contribute to increasing commodity production. By the end of the year their number reached 9,590. However, they are concentrated essentially in consumer services and not in the production of commodities.

Goods worth 944 million leva, based on current prices, were imported, or 1.6 percent more than in 1988. They account for 5.2 percent of the overall volume of procured commodities.

Sales totaling 18.9 billion leva (based on current retail prices) were recorded in retail trade, including public catering. Insufficient production hindered the normal supplies to the population, and the sales of a number of commodities were unrhythmic and, in some cases, with interruptions. During some months, some sales in retail trade came from commodity reserves, the stocks of which dropped substantially in the case of some goods. The difficulties in the domestic market were worsened to a certain extent also because, as a result of irregular supplies, many citizens increased their emergency purchases, purchasing substantially greater amounts of goods than they really needed. This applied to basic food staples, such as sugar, cooking oil, flour, cheese, and kasseri, which could be sold in original industrial packages of 10, 15 or 20 kg.

Major weaknesses occurred in the organization of commodity shipments and commercial services. Because of shortages and inadequate control, some unconscientious trade workers are profiteering by concealing and selling goods at substantially higher prices than those set. Sales at higher prices of scarce clothing, knitted goods, panty hose, spare parts for passenger cars, and other so-called ordinary goods increased substantially.

The number of commercial projects allowed for individuals and collectives, in accordance with resolutions Nos. 35 and 17 of the Council of Ministers, was 5,846. They employ in excess of 22,600 people.

The breakdown of such projects, by types and employed individuals is as follows:

(Number)	Resolution No. 35		Resolution No. 17	
	Project	Personnel	Project	Personnel
Stores	267	552	167	501

Public catering institutions	1,611	5,522	1,907	11,240
Booths, stands, and pavilions:				
Commercial network	961	1336	89	166
Public catering	547	2,834	297	490

Population consumer services totaled 979 million leva (current prices) or an increase of 63 million compared to 1988. Fewer services were rendered in terms of furniture, timber processing, textiles, knitted goods, clothing, cosmetics, and other services related to the maintenance and repair of radio and television equipment.

In a number of settlements services are extremely insufficient. For most of them the quality and speed are inconsistent with consumer requirements. There was a shortage of spare parts and skilled workers. In a number of areas services were rendered with obsolete equipment and technologies.

Last year state retail prices of some items remained unchanged and, as a whole, prices remained stable. Nonetheless, as a result of the desire of commodity producers to supply the domestic market essentially with new and more expensive and more profitable goods, the average group prices of goods increased. According to the computations of the Central Statistical Administration, based on preliminary estimates, the average group prices of commodities rose by 6.2 percent compared with 1988. The average prices are reflected also in changes in the structure of sales. Considering the existing scarcity and the substantial decline in the volume or the disappearance of some less expensive varieties, the population is forced to purchase more expensive goods.

In the case of comestible goods, where the variety is more limited, average price increases equaled 1.7 percent. This was mainly the result of higher prices of sugar and coffee, which were set during the second half of 1988, and the prices of beans, fruits, and vegetables in 1989.

The increase in average retail prices was mainly in the area of durable goods, which increased by 10.1 percent compared to 1988. Average prices of men's shoes increased by 9.3 percent; ladies' shoes, 7.5 percent; underwear, 22.9 percent; upper clothing, 9.7 percent; leather and fur clothing, 26.2 percent; woolen fabrics, 5.6 percent; rugs and rug products, 5.8 percent.

Also higher compared with 1988 were retail prices of goods sold on the cooperative markets, by a total of 8.9 percent; prices of fresh fruits rose by 8.2 percent and of fresh vegetables, by 11.3 percent.

The increase in average prices is adversely affecting the purchasing power of the population, particularly of people with a lower income.

The implementation of the housing program is lagging. A total of 38,770 housing units were completed, or 37.2

percent less than in 1988. In 1989 the lowest number of housing units compared to the past few years was completed. The completed housing is some 22,000 less than the average annual amount for the 1986-88 period. This is extremely inadequate in terms of improving the population's housing conditions.

By the end of 1989 per capita housing area was 17.9 square meters but significantly smaller in the cities—15.8 square meters. Although the average indicators of meeting housing requirements are improving, the housing problem continues to be a difficult one for thousands of families in the larger cities, young families in particular.

The inadequate condition of commodity procurements, consumer services, and housing construction adversely affected the "money-goods, services, housing" ratio. The level of used income declined. It was 95.2 percent in 1980 and 90 percent in 1988 and 1989. Available population funds increased.

In the 1981-87 period the average annual increase in savings accounts, including savings for housing, averaged about 1 billion leva; it exceeded 1.3 billion in 1988. In 1989 the increase totaled 625 million leva and is the lowest for the past 8 years. This is due to the substantial amounts withdrawn after the month of May from cash savings, mainly in the areas of Kurdzhali, Razgrad, Turgovishte, and Shumen.

On 31 December, population savings accounts exceeded 19 billion leva.

Increased savings and current population income under the conditions of a scarcity of goods increase inflationary processes and worsen the social tension in the country.

Health care. By the end of the year there were about 100 hospital and 25 sanatorium beds, 32 physicians, and seven dentists per 10,000 population.

No substantial improvements occurred in material and technical facilities in health care. The premises which were assigned to public health in 1988 and 1989 are being reconstructed slowly and are still not being used for their specific purposes. Some hospitals were closed down because of unsuitability, such as the Fifth Municipal Hospital in Sofia and the Chronically Ill Children's and Adolescents' Hospital in Sofia. The condition of a number of hospitals, polyclinics, and other health institutions is not consistent with sanitary requirements. The health care institutions lack the necessary modern equipment for tests, diagnosis, and treatment.

No improvements are being noticed in the health condition of the population. Socially significant diseases are continuing to increase: the number of registered cancer patients exceed 150,000.

In 1989 the level of the high mortality rate in the country remained unchanged: about 12 per 1,000. More than 60 percent of deaths are due to diseases of the circulatory organs; 14 percent are the result of malignant tumors,

followed by diseases of the respiratory system and external reasons, such as traumas and poisoning.

About 25 percent of the individuals employed in the national economy work under conditions detrimental to their health. The figure in material production is 27 percent.

In 1989 there was an average of about nine labor accidents per 1,000 people employed in material production. Compared with 1988, the number of such accidents diminished. However, the number of lost work days per labor accident increased, averaging 28 working days.

Conditions in health and social care is lagging behind the needs of the population.

Education and Culture. In the 1989-90 school year the unified secondary polytechnical and special schools were attended by 1,163,200 students, of whom 109,500 were first-graders. The number of students attending vocational school was 241,600. During the year 100,900 students completed their secondary education.

Our higher educational institutions are attended by 126,700 students who are Bulgarian citizens; the semi-higher institutes have 19,900 students. Eighteen thousand two hundred students completed their higher education.

During the year 223 classrooms were commissioned. Nonetheless, there is a shortage of 11,000 classrooms in the cities, needed to provide single-shift training.

Also unsolved are problems of updating material facilities and specialized training technical facilities in most secondary and higher educational institutions.

Last year places for 1,885 children were opened in kindergartens, compared with 3,150 in 1988.

In 1989 some 59 million copies of books and pamphlets were published. The library stock totals 106 million books, periodicals, and other library materials used, on an annual basis, by more than 3 million readers. Compared to 1988, attendance in movie houses and theaters declined.

Recreation and Tourism. During the year new rest homes were commissioned in Borovets, Velingrad, Pamporovo, and Batak and in several sea resorts. The number of beds in the sea, mountain, and balneological facilities totaled 122,500, or 8.9 percent more than in 1988. Such facilities were used by 1.296 million Bulgarian citizens or 14.4 percent of the population.

Nonetheless, recreational facilities remain insufficient. They are sufficient for annual leave use on an average of once every 7 years.

Available beds in hotels, motels, and camping sites exceed 133,000 or 3.4 percent more than in 1988.

In 1989 the country was visited by more than 8.2 million foreign guests and tourists. Of these, citizens who crossed Bulgaria in transit were almost 3.9 million.

Justice. The number of individuals sentenced for crimes of a general nature, based on executed sentences in recent years, was as follows: 1985, 24,144; 1986, 26,795; 1987, 25,922; 1988, 21,665.

In 1989 the country's courts initiated 19,210 first-instance penal cases of a general nature. Compared to 1988 this is a 7.7-percent decline; a total of 26,189 individuals were sentenced for crimes of a general nature. In the overall number of sentenced individuals, the share of minors (aged 14 to 17) was 7.3 percent.

In 1989 the largest number of sentenced individuals was for theft of personal and public property—6,791—or 5.4 percent less than in 1988. The number of individuals sentenced for robberies of private and public property was, respectively, 564 and 523. The number of sentenced rapists was 453 compared to 508 in 1988. There was an increase in the number of individuals sentenced for murder—323, compared with 305 in 1988.

A total of 273 million leva in capital investments or 2.9 percent of the overall volume of investments were spent on environmental protection and restoration. A total of 94.3 million leva from other sources were spent for protecting and restoring land resources and improving soil fertility.

More than 5,000 decares of damaged terrains were recultivated; 521,000 decares were protected against erosion, and chemical reclamation for the restoration of soil fertility covered 296,000 decares of saline and acid soils. Biological means were applied along with integrated methods for plant protection on more than 10 million decares.

Arable land continued to be used to meet construction needs: 61.2 percent of such land granted during the year consisted of highly fertile first and second category soil.

During the year, 292 projects were put under the protection of the Law on Environmental protection, totaling 2.5 million decares. This increased the share of protected natural sites to 1.8 percent of the country's total territory. New forests totaling 353,000 decares were planted.

The country has a high level of noise pollution noticed in 936 areas in 43 cities. In 72.2 percent of the observed areas the recorded levels ranged from 63 to 82 decibels. Noise pollution in Asenovgrad, Dimitrograv, Khaskovo, Plovdiv, Gabrovo, Turgovishte, Svishtov, Ruse, Devnya, V. Turnovo, Vidin, Silistra, Sevlievo, Provadiya, Kyustendil, Mikhaylovgrad, Razgrad, Burgas, Sofia, Botevgrad, Samokov, Popovo, and Kurdzhali are in this range.

The condition of the ecology in the areas of Sofia, Pernik, Dimitrovgrad, Ruse, Razlog, and Burgas is poor. The concentration of harmful substances in the air remains above admissible standards.

The 1989 results, particularly those of December, indicate that the condition of the economy is alarming. Its development in 1990 will take place under new political circumstances, in a period of radical reforms and democratization in all areas of human activities. The steps which are being taken to stabilize the economy will be effective only with a good organization and discipline, high civic consciousness, and a feeling of duty whatever activities the labor collectives may undertake (BTA).

GERMAN DEMOCRATIC REPUBLIC

Price Reform Debate Focuses on Subsidies, Tax Structure

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[Unattributed article: "GDR: Distribution Effects of Consumer Price Subsidies and Indirect Taxes"]

[Text] In the past, consumer price subsidies were always emphasized by the GDR leadership as an essential element of its distribution and social policy, respectively. Through these subsidies—despite rising costs on the factory level—supplying all levels of the populace with goods of basic requirements at stable, low prices was ensured ("second pay packet"). But the expenditures for subsidies, rising year after year, have been discussed increasingly critically by the population and also by scientists—although mostly internally. This was presumably the reason for public discussion of the subsidy policy, initiated from "above"; it was in the nature of a vindication and proceeded in the usual pattern.

In October 1988 a mother of two children, evidently meant as the voice of large parts of the grass roots, first spoke up resolutely in favor of retaining the subsidies.¹ This was followed by the avowal of high-ranking politicians that nothing would change in the present practice.² In the third round, well-known scientists commented on the subject; although their statements were differentiated, in the last analysis they, too, unequivocally advocated continuing the chosen course.³

After the turnabout in the autumn of 1989, subsidies have become one of the important subjects of the pending economic reform. It is certain that changes will come about—the GDR Finance Ministry at present is working on proposals⁴—but probably not a complete abolition of consumer price subsidies. Their reduction in certain areas is to be "completely compensated for socially."⁵

Mechanism of Price Formation

Factory prices are based on the producer's costs and profit. Before the products are sold to the trade and then delivered to the consumer with relatively low trading margins, in many cases the state intervenes in the price formation. For reasons of distribution policy, industrial sales prices vis-a-vis factory prices are either reduced

through subsidies, or raised through indirect taxes (product-specific levies).

Prime cost
+ profit
- factory price
- subsidies or
+ indirect taxes (product-specific levies)
- industrial sales prices
+ wholesale trading margin (cost + profit)
+ retail trading margin (cost + profit)
- ultimate consumer price

Although the factories receive the subsidies or have to pay over the taxes, respectively, in both cases the price changes are passed on to the ultimate stage; ultimately, the consumers are the ones affected positively or negatively.

Problems of Delineation

Subsidies and taxes exist in the GDR at the most divergent levels. The following examination is limited to the flow of funds directly connected with the price mechanism outlined above. It concerns items reported in the GDR national budget:

—Price support to ensure stable prices for goods of basic requirement, as well as wages and services for the population,

—Construction repairs for existing housing and business expenditures for housing (without new construction and modernization).

Left out of the account are all other subsidies, such as support for means of production or for raw materials and basic materials at the factory level.

Of taxes, only product-specific levies on consumer goods of the state-owned economy are included, but not

—product-specific levies on means of production (although they influence the factory prices of consumer goods via cost accounting),

—product-specific levies on cooperatives and private industry (they are not explicitly reported in the statistics),

—other taxes relevant to prices, such as the contribution to social funds (payroll tax) and net profit transfer.

It must also be pointed out that factory prices plus trading margins are considered true factor prices. In reality, however, administrative price fixing causes considerable distortions of the price structure already at the factory level.

Extent of Subsidies and Indirect Taxation

In the delineation presented, the following are subsidized:

—Basic requirements of foodstuffs—above all, potatoes, groceries, baked goods, milk and milk products, meat and meat products, fish, baby food;

—Some industrial goods—particularly children's clothing and shoes, school requisites, some printed products, gas, electricity, water, solid fuels, and some of the so-called thousand little things of daily necessity (down to safety pins, broomsticks, and cut flowers), but also consumer goods of higher value, such as mopeds. The GDR has constantly been carrying out industrial price reforms since 1976. As a result, factory prices rose while industrial sales prices frequently were not changed. In this way, more and more industrial goods slipped into the group of subsidized goods which formerly still contributed taxes:

—rents and leases;
—public passenger transportation (even taxis);
—repairs and services—particularly laundries and dry-cleaning.

The subsidy rates (subsidies in percent of ultimate consumer prices) range between 20 and 400 percent.⁶ The result is, for example⁷:

	Retail price	Subsidies
Salami, 1 kg	M 10.80	M 13.99
Children's pyjamas	M 18.00	M 21.72

Product-specific taxes are levied on industrial goods and semi-luxuries, but also on higher-quality foodstuffs. Tax rates are not known in detail. In general it holds true that high-quality products are more highly taxed than simple goods. Example: a color television set costs M 6,250, 1 pound of pure coffee M 40.

The total volume of the delineated subsidies in 1988 came to 58 billion marks, roughly one-fifth of budget expenditures. The volume of indirect taxes on consumer goods amounted to M 23 billion.⁸

Consequences of the Price Policy

The price policy pursued up to now has led to reactions by the producers, the trade and consumers. Many of them must be assessed negatively under overall economic aspects.

Negative consequences of the subsidy policy are, among others:

—Waste of foodstuffs. Compared to international levels, per capita consumption of many types of food is very high; the result—one-third of the adult population is overweight. Foodstuffs are used to feed animals, because they are cheaper than fodder.

- Abuse of price differences. The purchase price of agricultural products is often higher than retail prices. This gives the producers the chance to buy back, with a profit, the products they had sold to the trade.
- Prevention of lowering costs. Higher costs at the factory level are made up for through higher subsidies and do not affect the consumer.
- Supply shortages of cheap goods. The trade margins are based on industrial sales prices. In the case of subsidized goods, sales revenues are relatively low and offer no incentive to the trade.
- Environmental stresses. Subsidies for natural resources (energy, water) encourage waste, which causes additional environmental damage.
- Distribution according to the watering can principle. Subsidies do not reach only those groups in need of them. This holds true even if they are directed at certain target groups. For example, 27 million pairs of children's shoes are produced annually,⁹ which computes to nine pairs for every child. Children's shoes and clothing are not only bought for children in the GDR, but also by small-sized adults and citizens of other countries.
- Purchases by citizens of other countries.

They can bring about supply bottlenecks and cause economic losses. This problem occurs whenever there is a great disparity between exchange rates and consumer parities (for example, the relation of the GDR mark to the D-Mark), or in case of a low supply of goods in the countries of origin (for instance, Poland). The incentive is particularly great for the purchase of subsidized goods. In mid-November, the 1989 volume of these purchases was estimated at 2.5 billion marks by the GDR Ministry for Trade and Supply (assessed at ultimate consumer prices).¹⁰

—Deformations in the housing market. The subsidies prevent regulating the housing market through rents. Even small households with low income hardly have reason to give up large apartments. Frequently, older single persons live in spacious apartments in old buildings while young families with children live under very cramped conditions.¹¹ Under-utilized apartments are sometimes subleased at high prices; hence subsidized housing proves to be a source of profit. Despite housing control, quite a few people—among other things, because of low rents—have two apartments. Income from rent is insufficient to ensure maintenance. This affects privately owned housing in particular, since no subsidies are made available for maintenance.

In view of the great number of defects caused by subsidies, the question arises why they were kept up. Several arguments are being put forth:

- Ensuring [and supplying] the vital need of all strata of the population.
- Negative consequences if subsidies were abolished. In passenger traffic, a shift would occur from public to individual transportation (additional stress on the environment). Compensation for subsidies in the form of higher incomes would lead to a more economical consumption of previously subsidized goods and shift demand to high-quality industrial goods. But the supply in this sector even now is insufficient. It would bring about a devaluation of savings deposits if they were used for previously subsidized goods.

The pro and con of product-specific levies can be summarized in three short points:

- They are an important source of revenue for the national budget.
- They have a damping effect on demand for scarce goods.
- They exclude the lower income groups from buying high-quality goods.

Table 1
Private Consumption and Redistribution through Subsidies and Product-Specific Levies 1988

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Expenditures	Subsidies	product-specific Levies	Redistribution balance	Total expenditures (1)+(4)	Subsidy ratios (2):(1)	Tax ratios (3):(1)	Redistribution ratios (4):(1)
in billion marks								
Goods purchases	126.0	44.3	—	21.3	147.3	35.2	—	16.9
of these:								
Foodstuffs	37.4	31.9	—	31.9	69.3	85.3*	—	85.3
Semi-luxuries	22.8							
Industrial goods								
(including electricity,	—	—	23.0	-10.6	78.0	—	26.0	-12.0
gas, water)	65.8	12.4	—	—	—	18.8*	—	—

Table 1
Private Consumption and Redistribution through Subsidies and Product-Specific Levies 1988
(Continued)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Expenditures	Subsidies	product-specific Levies	Redistribution balance	Total expenditures (1)+(4)	Subsidy ratios (2):(1)	Tax ratios (3):(1)	Redistribution ratios (4):(1)
Services	17.2	13.2	—	13.2	30.4	76.7	—	76.7
of these:								
Rents and Leases (including long-distance heat and water)	3.3	7.7	—	7.7	11.0	233.0*	—	233.0
Transport services	2.7	5.0	—	5.0	7.7	185.0*	—	185.0
Repairs and services	6.2	0.5	—	0.5	6.7	8.1*	—	8.1
Private consumption	143.2	57.5	23.0	34.5	177.7	40.6	16.1	24.1
Savings and other expenses	19.4				19.4			
Net income	162.6				197.1			

Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.

*denotes boxed figures in original

Price Policy Effects on Income Distribution

In order to also be able to assess the direct consequences of the price policy on income distribution, the attempt of an approximate quantification was made with the aid of model calculations. The starting point was the macrolevel—total private consumption. Derived from that, computations on the microlevel for selected private households of various social groups were carried out, in part also stratified according to income level.

To roughly outline the procedure: Private consumption, broken down into use categories, were juxtaposed with subsidies and indirect taxes (Table 1). From this, redistribution balance and private consumption at factor prices (total expenditures) were derived, also pattern

figures (subsidies, levies, and redistribution balance in percent of expenditures for private consumption). With these ratios (* numbers in Table 1), subsidies and taxes were computed at the microlevel for six types of households. The summarized results are contained in Tables 3 to 5.

By using constant subsidy and levy ratios for all household types (Model I) it was implied, however, that consumption within the individual use categories is everywhere proportionately equal. This produces divergent results in the redistribution for the households considered, but only on the basis of structural differences between the large use categories and income differences. This assumption is unrealistic, however.

Table 2
Subsidy and Tax Ratios (in percent)

	Model I				Model II			
	(constant for all households)		Workers and employees		LPG members [Agricultural Producers Cooperative]	Pensioners		
	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios
Goods purchases								
Foodstuffs	85.3	—	75.0	—	80.0	—	95.0	—
Semi-luxuries								
Industrial goods								
(including electricity, gas, water)	—	26.0	—	30.0	—	25.0	—	15.0
Services of these:	18.8	—	12.0	—	15.0	—	25.0	—

Table 2
Subsidy and Tax Ratios (in percent)
(Continued)

	Model I				Model II			
	(constant for all households)		Workers and employees		LPG members [Agricultural Producers Cooperative]		Pensioners	
	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios
Rents and leases	233.0	—	233.0	—	233.0	—	233.0	—
Transport services	185.0	—	190.0	—	185.0	—	180.0	—
Repairs and services	8.1	—	8.0	—	5.0	—	10.0	—

Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.

Table 2 Continued
Subsidy and Tax Ratios
(in percent)

	Worker and Employee Households of Three Persons with a Net Income of...							
	under M 1,600		M 1,600 to below M 2,000		M 2,000 to below M 2,400		M 2,400 and above	
	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios	Subsidy ratios	Tax ratios
Goods purchases								
Foodstuffs	90.0	—	80.0	—	70.0	—	60.0	—
Semi-luxuries								
Industrial goods								
(including electricity, gas, water)	—	20.0	—	25.0	—	30.0	—	35.0
	18.0	—	14.0	—	11.0	—	9.0	—
Services of these:								
Rents and Leases	233.0	—	233.0	—	233.0	—	233.0	—
Transport services	200.0	—	195.0	—	190.0	—	185.0	—
Repairs and services	12.0	—	10.0	—	8.0	—	6.0	—

Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.

Therefore, the ratios were varied in a further set of computations (Model II). It was based on the assumption that at lower income levels, proportionately more subsidized goods are being bought, which is synonymous with disproportionately high subsidy ratios. Accordingly, at low income levels proportionately fewer, highly taxed semi-luxuries and technical consumer goods are bought (comparatively low tax ratio). In some cases we deviated from this basic rule, among other things in use categories with only one or few goods (rents, transportation services), because there expenditures and subsidies are in a relatively stable ratio to each other. Table 2 shows the ratios on which Model II is based, the results are listed in Tables 6 to 8.

The procedure followed the data situation which has been extremely scant up to now.¹² The only data available were information on overall economic expenditures for subsidies, the composition of consumption of the household types studied (shares in percent), and income stratification of workers' and employees' households with three persons. But what was further needed was private consumption on the basis of national accounts (subdivided according to use

categories), the sum of product-specific levies on consumer goods, and average incomes of the households included. These data were estimated with the help of numerous bits of individual information and can be considered relatively well secured. This does not apply to the subsidy and levy ratios used at the microlevel. Hence the results of the model computations for the households selected can be considered realistic only to a certain extent; the actual amounts probably reflect the tendencies correctly.

The computations on the macrolevel (Table 1) have shown that for 100 marks of population expenditure for foodstuffs, an additional 85 marks are spent for subsidies. For industrial goods, the ratio is considerably smaller with an average of 19 marks for subsidies. The relatively highest subsidies are in the areas of rents/leases and transportation with 233 marks and 185 marks, respectively. For repairs and other services, on the other hand, they are small. Because of their importance in the macroeconomic sense, the highest amount by far is paid out for foodstuffs, 32 billion marks (over 50 percent of all subsidies). Industrial goods and all services combined account for 12 to 13 billion marks each.

Table 3
Model I
Redistribution through Subsidies and Product-Specific Taxes
in Selected Private Households 1988

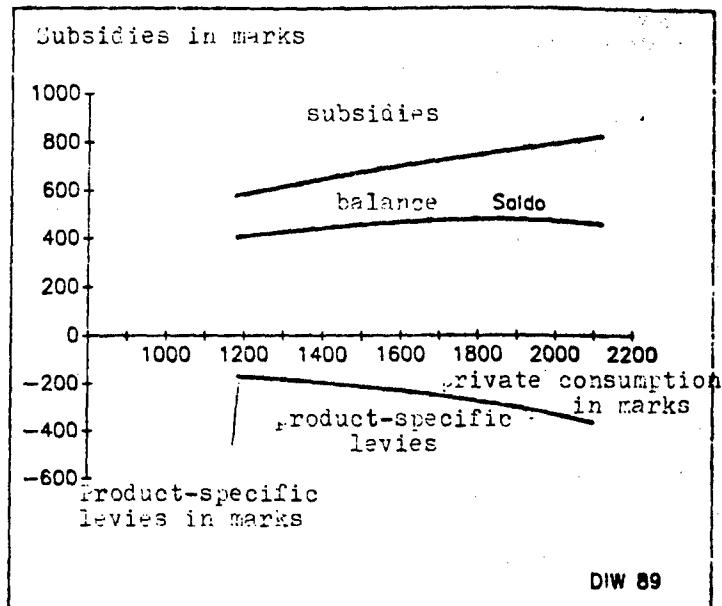
Household type	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Average net income	Expenditure private consumption	Subsidy	Product-specific taxes	Net redistribution	Total expenditures (2)+(5)	Subsidy ratios (3):(2)	Tax ratios (4):(2)	Redistribution ratios (5):(2)
in marks per months									
Workers and employees	2,050	1,620	686	243	443	2,062	42.3	15.0	27.3
LPG members	2,350	1,697	658	269	389	2,086	38.7	15.9	22.9
Pensioners (without earned income)	720	641	348	79	269	910	54.2	12.3	42.0
Three-person, workers and employees with net income:									
below M 1,600	1,340	1,225	585	171	414	1,639	47.8	14.0	33.8
M 1,600 to M 2,000	1,815	1,599	695	238	457	2,056	43.5	14.9	28.6
M 2,000 to M 2,400	2,175	1,786	752	268	484	2,270	42.1	15.0	27.1
M 2,400 and above	2,890	2,043	789	322	467	2,510	38.6	15.8	22.9
Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.									

Table 4
Model I
Redistribution through Subsidies and Product-Specific Taxes
in Selected Private Households 1988
per Household Member

Type of household	(1)	(2)	(3)	(4)	(5)	(6)
	Average net income	Expenditure private consumption	Subsidies	Product-specific taxes	Redistribution balance	Total expenditures
In marks per month						
Workers and employees	707	559	237	84	153	711
LPG members	712	514	199	82	118	632
Pensioners (without earned income)	514	458	249	56	192	650
Three-person, workers and employees with net income						
below M 1,600	447	408	195	57	138	546
M 1,600 to M 2,000	605	533	232	79	152	685
M 2,000 to M 2,400	725	595	251	89	161	757
M 2,400 and over	963	681	263	107	156	837

Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.

Graph 1: Model I



Graph 2: Model II

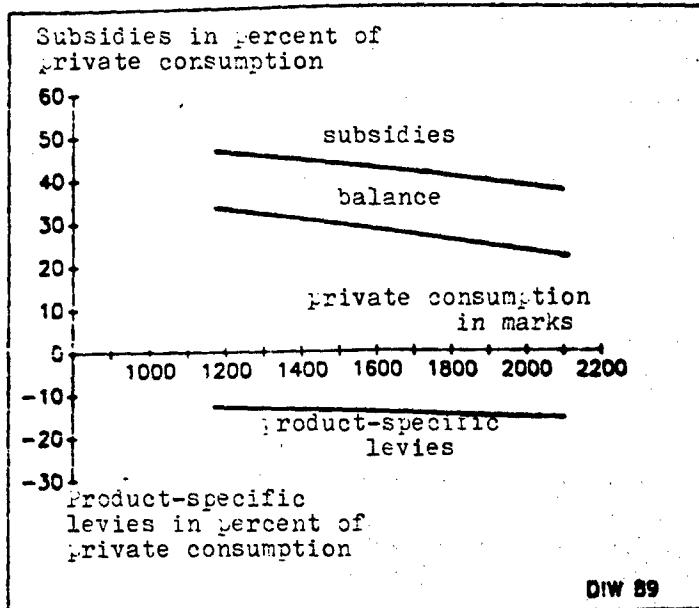


Table 5
Model I
Ratios of Private Consumption Before and After Redistribution
in Selected Private Households 1988
Based on Households of Workers and Employees

Type of Household type	per household				per household member			
	before redistribution		after redistribution		before redistribution		after redistribution	
	in marks	in percent	in marks	in percent	in marks	in percent	in marks	in percent
Workers and employees	1,620	100	2,062	100	559	100	711	100
LPG members	1,697	105	2,086	101	514	92	632	88
Pensioners (without earned income)	641	40	910	44	458	82	650	91
Three-person, workers and employees with net income								
below M 1,600	1,225	76	1,639	80	408	73	546	77
M 1,600 to M 2,000	1,599	99	2,056	100	533	95	658	96
M 2,000 to M 2,400	1,786	110	2,270	110	595	106	757	107
M 2,400 and over	2,043	126	2,510	122	681	122	837	118

Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.

The subsidies are confronted with indirect taxes. One hundred marks of expenditures for semi-luxuries contain an average of 26 marks of indirect taxes. The levies in these use categories by far exceed subsidies. In the overall average (subsidies set off against indirect taxes), 24 marks of subsidies account for 100 marks of consumption spending; in absolute terms, the difference amounts to 35 billion marks.

The computations at the microlevel (Model I) show that although subsidies increase with higher household incomes, they are below average (Table 3). Except for pensioners' households, there are no great differences between the subsidy amounts. The case is different for indirect taxes, which increase considerably with higher incomes. The offset values for households of employed persons demonstrate extensive equal distribution. A divergent picture emerges from a relative view: The higher the income, the smaller the subsidy ratio. On balance, also, the importance of subsidies decreases with rising income. This means, all households of employed persons are subsidized with roughly the same amounts (390 to 485 marks), but they are of greater importance

for incomes of M 1,350, for example, than for incomes of M 2,900. These facts are illustrated in Graphs 1 and 2.

The individual's material situation depends on the income per household and the number of persons to be maintained. In 1988, the average household size for workers and employees was 2.9 persons, for LPG members 3.3, and for pensioners, 1.4. In the per capita study, the subsidy and tax amounts of pensioners—because of the smaller household size—fit into the general picture (Table 4).

In Model II—it is probably nearer reality than Model I—the prevalent tendencies become even clearer. The distribution of subsidy amounts per household is even more balanced, the differences in tax burdens are more pronounced. The net effect of redistribution is considerably reduced for higher incomes and tends towards zero. In general it must be remembered that the present price policy in the GDR has strong effects on the redistribution of income. In principle, the already low differentiation in income is further leveled via subsidies and taxation of private consumption (Tables 6 to 8, Graphs 3 and 4).

Table 6
Model II
Redistribution through Subsidies and Product-Specific Levies
in Selected Private Households 1988

Type of Household	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Average net income	Expenditures private consumption	Subsidies	Product-specific taxes	Redistribution balance	Total expenditures (2)+(5)	Subsidy ratios (3):(2)	Tax ratios(4):(2)	Redistribution ratios (5):(2)
in marks per month									
Workers and employees	2,050	1,620	589	281	308	1,928	36.4	17.3	19.0
LPG members	2,350	1,697	599	259	340	2,037	35.3	15.3	20.0
Pensioners (without earned income)	720	641	384	46	338	979	59.9	7.2	52.7
Three-person, workers and employees with net income:									
below M 1,600	1,340	1,225	602	131	471	1,696	49.1	10.7	38.4
M 1,600 to M 2,000	1,815	1,599	639	229	410	2,009	40.0	14.3	25.6
M 2,000 to M 2,400	2,175	1,786	611	309	302	2,088	34.2	17.3	16.9
M 2,400 and over	2,890	2,043	562	433	129	2,172	27.5	21.2	6.3
Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.									

Table 7
Model II
Redistribution through Subsidies and Product-Specific Levies
in Selected Private Households 1988
per member of household

Type of household	Average net income	Expenditures private consumption	Subsidies	Product-specific levies	Redistribution balance	Total expenditures
in marks per month						
Workers and employees	707	559	203	97	106	665
LPG members	712	514	182	78	103	617
Pensioners (without earned income)	514	458	274	33	241	699
Three-person, workers and employees with net income:						
below M 1,600	447	408	201	44	157	565
M 1,600 to M 2,000	605	533	213	76	137	670
M 2,000 to M 2,400	725	595	204	103	101	696
M 2,400 and over	963	681	187	144	43	724
Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.						

Scenarios of Solutions

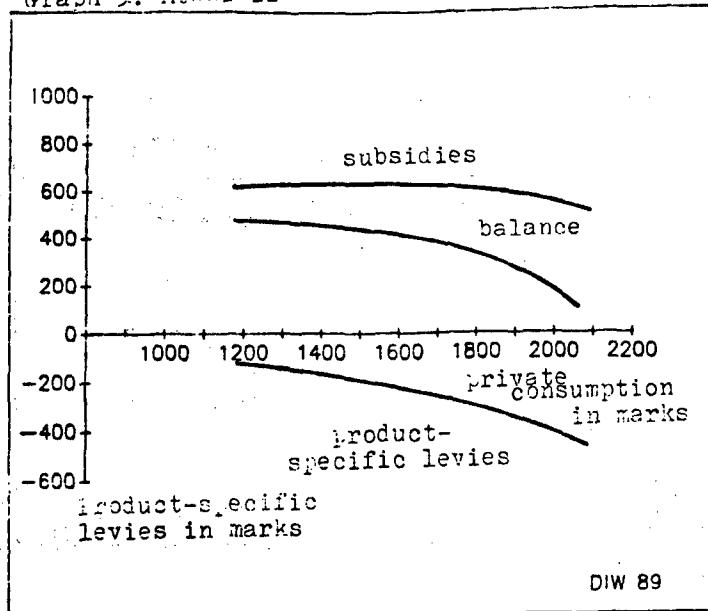
Many scenarios are conceivable for changes in the price system; the gamut ranges from uncompensated abolition of subsidies and indirect taxes to price modifications with flanking compensatory measures for certain groups, to full compensation for all population strata. At any rate, subsidies in their present form should be abolished, but this reduction must be made socially compatible. Public discussion in the GDR is moving in this direction.

The transition from objective to subjective support can be carried out with relatively few problems in some cases, namely in the case of goods which

- must be assigned directly to the beneficiaries (persons, households),
- aim at support for individual social strata.

Among the first group fall, for instance, the use categories housing, electricity, gas, and water. There, the minimum requirements could be established (square meters of floor space, kilowatt hours, cubic meters of gas and water per person or household), for which the higher prices could be compensated through housing allowances and other contributions. One could also consider subsidizing as before, but only the minimum requirement. This would result in a split price level for this part of private consumption. This would be nothing new, incidentally; for some time now, a limited amount of brown-coal briquets are sold to private households at lower prices.

Graph 3: Model II



Graph 4: Model II

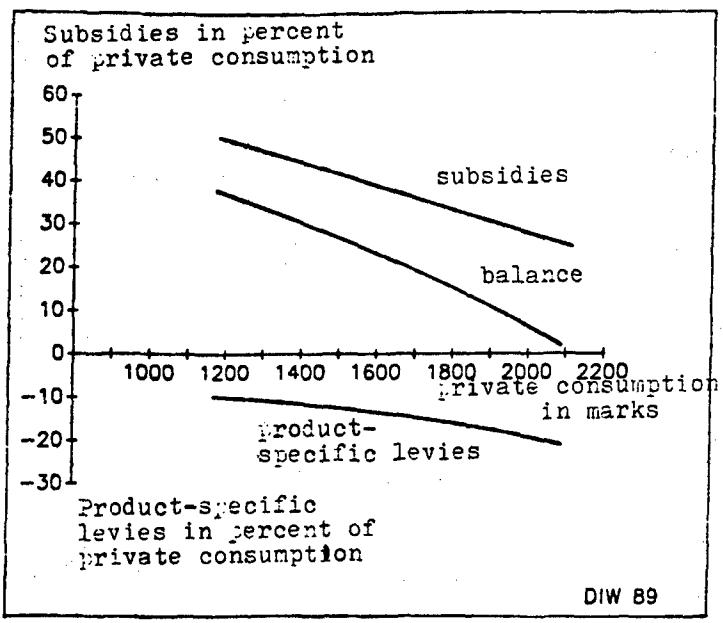


Table 8
Model II
Ratios of Private Consumption Before and After Redistribution
in Selected Households 1988
Based on Households of Workers and Employees

Household type	per household				per household member			
	before redistribution		after redistribution		before redistribution		after redistribution	
	in marks	in percent	in marks	in percent	in marks	in percent	in marks	in percent
Workers and employees	1,620	100	1,928	100	559	100	665	100
LPG members	1,697	105	2,037	106	514	92	617	93
Pensioners (without earned income)	641	40	979	51	458	82	699	105
Three person, workers and employees with net income								
below M 1,600	1,225	76	1,669	87	408	73	565	85
M 1,600 to M 2,000	1,599	99	2,009	104	533	95	670	101
M 2,000 to M 2,400	1,786	110	2,088	108	595	106	696	105
M 2,400 and over	2,043	126	2,172	113	681	122	724	109

Sources: GDR Statistical Yearbook 1989 and DIW computations and estimates.

In the case of preferential goods for special groups—this concerns above all households with children—subsidies for baby food, children's clothing and shoes, as well as school needs could be replaced by increasing the amount of children's allowance. Subsidies for children's clothing and shoes at present amount to 1.9 billion marks annually¹³; this amounts to 45 marks a month based on the number of children under the age of 16. Another form of group-specific differentiation has always existed in public passenger transportation, for example, in the form of reductions for students and pensioners.

Subjective support is more difficult with goods which are available to everyone on the market and cannot be attributed to individual persons or special groups. This concerns primarily foodstuffs and services. Kuczynski now proposes a split price level for these. Limited quantities are to be sold at present prices with the aid of food ration cards; higher prices would be charged for additional consumption.¹⁴ Although such a solution may also have some positive aspects, psychologically it would probably have a devastating effect. This would reestablish a situation as before 1958. More acceptable seem general price raises, accompanied by compensatory payments. The model computations demonstrate that the absolute amounts of present subsidies show only very small differences for all social groups. Hence, as an equivalent for the abolition of subsidies, income transfers of equal amounts per inhabitant would be feasible.

Although there is little public discussion in the GDR of indirect taxes, in this area, also, changes should be made—not least of all because of the exclusion of large groups from purchasing higher-quality goods. Because of their function as a source of revenue for the national budget, product-specific levies cannot be abolished entirely. Indirect taxation as levied in the FRG would be useful. That would mean special consumption taxes for

semi-luxuries and a uniform turnover tax. Rough computations showed that adjustments to taxation in the FRG could be carried out at a largely neutral yield level.

For practical implementation, the scenarios would have to be considerably refined. Presented were basic possibilities of solutions as to how the aforementioned negative consequences of the present price policy could be removed, with the condition that excessively great hardships be avoided, particularly for socially weaker groups. Starting point of the reflections were changes at the level of industrial sales prices with constant factory prices.

The incipient plans now presented by the government evidently are also based on unchanged factory prices. However, subsequently a combination of reducing both subsidies and indirect taxes is being considered: Raising prices for basic necessities and lowering prices for high-quality industrial goods. From the aspect of the national budget, these two measures are interconnected, but they are not balanced socially. They could be of net advantage for higher-income households, but they are at the expense of the socially weak, as long as compensatory payments are limited to childrens' allowances and rents, as can be supposed from an interview.¹⁵

However, reduction of subsidies and indirect taxes can only be a first step of a fundamental price reform. It would have to start with factory prices, while subsidy reduction aims at bringing about structural changes in the existing system which, as standard corrections of prices and incomes, considerably ease the transition to market prices. The compensatory payments needed in the first step must only be of a transitional nature. At the actual price reform, they must be entered into the also required general income reform.

Footnotes

* Revised version of a paper given by the editor at the 15th symposium of the Research Institute for All-German Economic and Social Questions on 24 November 1989 at the Reichstag in Berlin. The paper will also be published in the FS-ANALYSEN series of the Research Institute (in preparation).

1. See Gudrun Ullrich: Subventionen fuer soziale Sicherheit [Subsidies for Social Safety]. In: NEUES DEUTSCHLAND, 21 October 1988, p 5.

2. Compare, for instance, Guenter Schabowski: Klares und erprobtes konzept fuer die Aufgaben unserer Zeit [Clear and Proven Concept for the Tasks of Our Time]. In: NEUES DEUTSCHLAND, 21 October 1988, p 5.—Willi Stoph: Mit dem Plan setzen wir die Politik sozialer Sicherheit und der Vollbeschaeftigung fort [With the Plan We Continue the Policy of Social Safety and Full Employment]. In: NEUES DEUTSCHLAND, 15 December 1988, p 3f.—Incidentally, Schabowski today advocates the reduction of subsidies (see interview with him in WIRTSCHAFTSWOCHE, Nr 45/1989, p 21).

3. See Juergen Kuczynski: Ein einzigartiger Lebensstandard insofern als... [A Unique Standard of Living in so far as...]. In: NEUES DEUTSCHLAND, 22 December 1988, p 2.—Same author: Echo eines Artikels [Echo of an Article]. In: NEUES DEUTSCHLAND, 28 January 1989, p 2.—Otto Reinhold: Fragen zu einem aktuellen Thema [Questions on a Current Subject]. In: TRIBUENE, 16 February 1989, p 5.

4. See Ernst Hoefner: Reisemittel, Subventionen, Besteuerung der Handwerker [Travel Funds, Subsidies, Taxing of Craftsmen]. In: NEUES DEUTSCHLAND, 8 November 1989, p 3.

5. According to the new minister for finances and prices in the GDR, Uta Nickel. In: NEUES DEUTSCHLAND, 2/3 December 1989, p 3.

6. See Otto Reinhold, op. cit.

7. See TRIBUENE, 21 November 1989, p 3.

8. Product-specific taxes are levied both on consumer goods and means of production (a total of 43 billion marks). Western GDR research had assumed up to now that these taxes were levied almost entirely on consumer goods, but according to more recent information, that is not the case.

9. See BERLINER ZEITUNG, 18/19 November 1989, p 5.

10. Ibid.

11. The problem of incorrect housing placement is very complex. Even when older people are willing to exchange apartments, they rightfully expect that the new apartment is located in the vicinity of their old one and offers at least familiar amenities (for instance, a telephone). This cannot be ensured in many cases.—On this subject,

compare Carola Freundl: Sorgen um die "dritte Haut" [Worries about the "Third Skin"]. In: WELTBUEHNE, 14 November 1989, p 1462ff.

12. After the turnabout, however, the director of the Central State Administration for Statistics promised more information for the future.—See Arno Donda: Daten und Entwicklungsrichtungen, die real und ueberschaubar sind [Data and Development Directions Which are Real and Readily Grasped]. In: NEUES DEUTSCHLAND, 16 November 1989, p 3.

13. Compare TRIBUENE, 21 November 1989, p 3.

14. Compare conversation with Juergen Kuczynski. In: BERLINER ZEITUNG, 18/19 November 1989, p 9.—Incidentally, he revealed in this conversation that this thought was already contained in the manuscript for an article in NEUES DEUTSCHALND (see footnote 2), but that, at the request of Erich Honecker, he had deleted it at that time.

15. See interview with Christa Luft. In: BERLINER MORGENPOST, 12 December 1989, p 22, and 13 December 1989, p 26.

Creation of Joint Ventures Urged

90EG0147A Potsdam MAERKISCHE VOLKSSTIMME in German 15 Dec 89 Supplement p 3

[Article by Dr. Thomas Rau, Institute for International Relations, Potsdam-Babelsberg: "Can We Get Along Without Joint Ventures?"]

[Text] "Without joint ventures nothing can get done," said Heinz Warzecha recently. Warzecha is the general manager of the "7th of October" tool and die combine. Other highly qualified managers and scientists also stress the advantages of this type of cooperative effort. Our government reacted quickly and announced that joint venture legislation will be one of the first laws on the books by December. What are the characteristics of this type of cooperation and how has it worked thus far?

Literally translated, joint venture means joint undertaking. The word venture has a secondary meaning of hazard or risk. The concept we are dealing with is a many-faceted one and there appear to be a good many variations of it. The reason for these different interpretations of the concept is that joint ventures are not really specific, clearly defined forms or structures of economic cooperation from an economic or legal point of view. To some extent, there is a tendency to shy away from an overly clear distinction between joint ventures and normal business arrangements. In order to characterize the nature of joint ventures, it is necessary to point out

specific features which are typical but which may not apply in individual instances:

- a relatively high degree of consensus as to will and interest regarding the achievement of a common contractual goal;
- proportional sharing of profits and losses of joint venture as well as of the risks involved;
- division of labor among the partners participating in joint venture;
- influence on decisionmaking process by all participants;
- capacity for reproduction; as a rule for expanded reproduction;
- capital investment constituting a legally fixed partnership relation;
- legal and economic independence of the cooperating partners must be preserved.

Joint venture legislation in socialist countries initially called for a minimum national share of 51 percent of capital; but this provision has since been rescinded in all these countries. We, too, have thus far insisted on such a minimum share—ostensibly in order to exercise greater control over these ventures. Other East European countries have discarded this provision because it tended to make negotiations more difficult and because effective control can also be exercised by other means. But I do consider it legitimate in the initial stage, in the trial period so to speak, not to tamper with these limitations.

Since the early seventies, the UN Economic Commission for Europe has been compiling a representative list of agreements resulting in different types of cooperative East-West economic ventures. Up to 1988, coproduction and specialization were most common in terms of numbers. But the number of joint ventures has demonstrated the largest growth rate of existing cooperation agreements.

In 1989, the pace quickened yet again and there is no question that joint ventures now occupy the number one position. These joint ventures, situated both in the East and the West, have been increasing at a particular rapid rate in Eastern Europe—especially in the USSR and in Hungary. In the latter two countries and in Poland there has also been a sharp rise in the number of new companies in 1989. For the most part, this trend is similar to that taking place in the capitalist division of labor.

A large number of studies on the relationship between different types of cooperative ventures has shown that joint ventures, a complicated type of cooperation, require a certain amount of experience in collaboration, i.e., that they should grow out of other types of cooperative undertakings. Although this widespread conclusion has also been drawn in socialist economic literature, the different types are not undergoing balanced development in economic practice at this time.

A number of Western firms believe that the priority assigned to the establishment of joint ventures might serve to nullify previously successful types of cooperation and long years of effort. As a rule, their focus is more on simpler arrangements and on a form of cooperation which is just emerging. Speaking at the 44th plenary session of the UN Economic Commission for Europe, one EC representative said that it might be better to rely on existing opportunities in simpler cooperative ventures, e.g., licensing agreements and coproduction.

In my view, a priori preference cannot be given to any of these types of cooperative ventures. The type eventually selected will depend on the specific goals to be achieved and the various options available. It is certainly true that joint ventures represent the most complicated form of such arrangements; but they may offer unique advantages such as greater cost effectiveness, greater stability and duration of the enterprise and, no less importantly, the application of the most sophisticated or at least the most advanced scientific and technological know-how.

In early October, the director of the first Hungarian joint venture with Siemens which came into being in 1974 pointed out an inestimable advantage to me, i.e., the trust built up over long years of cooperation. The successful operation of this particular joint venture has now resulted in the signing of declarations of intent to invest significant amounts of capital in the creation of two more such partnerships. In other words, there is a lot that speaks in favor of joint ventures; but there also is a need to look at the whole picture.

Only a small part of the agreed upon joint ventures is operational as yet. It is, therefore, too early to assess their activities. Analyses of the effectiveness of joint ventures by scientists and professionals in the socialist countries make it clear that those working in countries which have had lengthy experiences with them tend to be less enthusiastic about the advantages than others—although they, too, give great weight to the positive aspects. On the whole, however, the economic impact has been negligible thus far. At the moment, it is far from easy to predict whether joint ventures will develop into a major factor in the economic life of the socialist countries by the end of the century. This, at any rate, is the conclusion reached in a study by the UN Center for Transnational Corporations.

The experiences with regard to the three major objectives which have a bearing on the interest of socialist countries in joint ventures, i.e., technology transfer, export opportunities, and investment capital, may be summarized as follows:

1. While the socialist countries have a vital interest in gaining access to state of the art science and technology, their partners are reluctant to make genuinely new R&D results available to them. The reason for this is the continuing competitive environment, the aim to market already obsolete or declining technologies and state monopoly restrictions in this regard. There have been no

joint ventures in the high-tech field thus far, and truly advanced technologies are the exception to the rule.

2. A principal source of conflict is the priority given by socialist countries to the export of products and the foreign investors' focus on selling their products in the investment country. Although there is a definite need to reach a compromise on this issue, experience has shown that joint ventures have had a generally negative impact on trade balances because of their imports. On the other hand, their contribution to finding substitutes for imported goods should not be discounted.

3. By 1988, foreign investment in the European CEMA countries climbed to \$1.2 billion. This amount corresponds to less than 0.1 percent of investments between 1980 and 1988. The \$700 million in new investments in 1988 represent about 0.3 percent of total investments by the abovementioned investor nations. The total for 1988 represents slightly more than one percent of convertible currency loans. These comparative figures demonstrate that investments in joint ventures have thus far played a subordinate role in economic terms. This may change, however, in view of the fact that some truly significant projects are presently being negotiated.

At this point we should emphasize yet once more that the experiences with individual joint ventures have shown that these arrangements can work very well indeed. This is particularly true in all those instances where partners of equal strength in science and technology are involved. A number of our efficient combines and scientific institutions are well equipped in this regard. In the final analysis, the success and economic significance of such cooperative undertakings will also be determined by the conditions we ourselves set for the establishment of joint ventures and by the pace of our economic reform program.

We must also make it as clear as we possibly can that the GDR's survival depends on our increased integration into the international division of labor. In pursuing this goal, we cannot under any circumstances continue to deprive ourselves of an important form of cooperation like joint ventures. If I understand Heinz Warzecha correctly, he stressed the importance of joint ventures in order to point out that it is high time for us to take advantage of this type of cooperation. I can only say that I heartily agree with him.

HUNGARY

Feasibility of Dollar-Based Soviet Trade Settlement Disputed

*25000605 Budapest NEPSZABADSAG in Hungarian
22 Jan 90 p 8*

[Article by Karoly Kiss, chief scientific associate of the Hungarian Academy of Sciences Global Economy Institute: "Ruble Background—With Debate: Semblance Solutions, Real Dilemmas"]

[Text] The problems of Hungarian-Soviet trade which had been accumulating over a period of 40 years reached their peak last year. In our critical economic situation, along with a \$1.4 billion Western balance of payments deficit, and with a disintegrated state budget, our socialist trade registered a 1 billion transferable ruble surplus, and most of it was a result of trade with the Soviet Union. This by now well known phenomenon, the transformation of dollar imports into ruble exports by Hungarian enterprises, plays a significant role in the balance of payments deficit that manifests itself in dollars.

In this situation the idea of settling Hungarian-Soviet trade on the basis of free foreign exchange (direct dollar settlement) is gaining popularity. This concept was first proposed by a group of researchers a year and a half or two years ago. The idea had a redeeming effect on economic policy makers and business leaders tired of struggling for decades with complex Hungarian-Soviet trade dilemmas that virtually could not be resolved. Despite disapproval by significant professional circles, even the highest level of leadership adopted the idea.

The advocacy of dollar-based settlement has become virtually a general phenomenon, because persons unfamiliar or only partly familiar with the positive associations that accompany the dollar, and negative associations that occur with regard to the ruble, may be easily mislead. No reaction of merit has come from the professional press, and now advocates of the concept argue that even the Soviet Union has adopted the idea. It would be odd indeed if the Soviet Union did not choose a \$1.5 billion to \$2 billion surplus instead of a 1 billion ruble trade deficit!

The Convertible Forint

Trading on the basis of free foreign exchange is expected to produce a situation in which the schizophrenic condition of having a split market is done away with, because the new system would render the procurement and sales conditions of the Soviet market equal to those of the Western market. This then would eliminate the exit possibility so often used by so many enterprises to escape from under stringent Western market conditions and increasingly stringent domestic business conditions, thus avoiding structural transformation and adaptation to the global marketplace. The system's advocates claim that trading on the basis of free foreign exchange would strike at undesirable tendencies.

One may agree with this intention to a large degree. Nevertheless, the question still remains: Is it really necessary to change over to settlement in free foreign exchange in order to achieve this goal? Such a change-over would produce a substantial loss to Hungary in terms of exchange rate differentials, and a large part of Hungarian products would be squeezed out of the Soviet market.

In my view it would be possible to render conditions for exports to the Soviet Union more stringent even without

introducing this system. The chief methods by which this could be accomplished are the discontinuation of the state's agreements to contingents, exchange rate policies which would permit the forint to appreciate relative to the ruble, permitting enterprises to sell in each others' markets, and the settlement of clearing balances in convertible currencies.

The Beaten Horse

A changeover to convertible currency settlement would render trading conditions for enterprises overly, even intolerably difficult. An expectation that Hungarian exporters could compete with Western firms in the Soviet market is unrealistic. I have used this comparison earlier: We should not try to use the whip on the tired, wheezing nag which drags its feet and collapses when touched by a small stick.

Advocates of changeover state the anticipated consequence without even blinking their eyes. That consequence is a 1.5 billion, perhaps 2.5 billion deficit—in dollars! I do not even invoke today's critical economic situation. The voluntary acceptance of such a burden would be a phenomenal folly under any circumstances. They argue by saying that our balance situation would deteriorate substantially under the old settlement system, because we have already paid off in the form of labor our old indebtedness which stemmed from high oil prices, and because in the early 1990's joint investments in the Soviet Union will not continue, therefore supplemental deliveries needed for these investments will not be necessary, and in the course of plan reconciliations it has turned out that the Soviet party does not want to take delivery of a number of products we delivered earlier. If this is true, our indebtedness that appears in the old system of settlement would still be smaller than it would be after changing over to a dollar-based settlement, along with unfavorable exchange rates. Why should we accept the greater evil over the lesser evil?

At this point they usually state that the loss we would incur would be only a one-time loss, or that it would be a loss of at least a declining tendency, but the anticipated profits would in time exceed that loss. They believe that a Soviet market operating with free foreign exchange would represent a great attraction to Hungarian exporters following the initial restrictive effect, and that within a few years the initial deficit balance could be offset by more competitive Hungarian exports operating in the framework of a more modern structure.

If this expectation is to be understood to take place under conditions of foreign exchange controls, it amounts to an incomprehensible illusion: "Settlement" in the form of free foreign exchange can bear no influence on Hungarian enterprises if enterprises continue to receive forints for their dollar exports effected to the Soviet market. The effect on enterprises would present itself solely by way of exchange rate policies. If, on the other hand, the framers of this concept count on the idea that the forint will become convertible by the time the

changeover takes place—along the most recent Polish and Yugoslavian patterns—we must view this assumption from another angle. Along with the change in proprietary conditions, the rendering of national currencies as convertible currencies is the most exciting economic policy and theoretical economic issue in a Central Europe that is undergoing a change in regimes. I must admit that I do not attach much hope to most recent rumors about the convertibility of the zloty and the dinar. Both currencies played a subordinate role, and have suffocated in the dual currency system; they were devalued to an extent beyond imagination and have struggled with three- and four-digit inflation. It now appears that Hungary is also entering the path with which we have been scaring each other for years. I envision the expected effects as reasonable expectations only under the circumstances of a very strong, not inflated, balanced domestic market and external economic situation, and as a result of a forint rendered convertible under such circumstances.

Hungarian government organs think either in terms of transferable rubles, or in terms of free foreign exchange. Why? Viewed from the standpoint of socialist countries the forint is still a hard currency. This is because of the export structure and quality that stands behind it, and because of a well supplied domestic market which attracts tourism. Why don't we want to take advantage of this? Why is it not our objective to enforce our relative regional advantages? How do we intend to create a state in which the forint is convertible, when we do not attribute enough weight, an adequate role to our currency—one that it would be able to play? Perhaps along the Polish and Yugoslavian patterns? The endeavor to achieve convertibility, and the contradiction that rests in the practice of permitting individual foreign exchange transactions which exclude the forint, and the plan that calls for account settlements in free currencies are incomprehensible.

One frequently hears the argument that ruble clearing and the entire settlement system in the framework of Hungarian-Soviet trade cannot be adapted to, and are not in harmony with the Hungarian economy which is being increasingly based on monetary considerations. Undoubtedly, the skimming of imports that exists in Soviet trade relations, and the subsidy systems that are repeatedly intertwined with exports render settlement a complicated matter in these trade relations. This is different from Western trade relations where payments are made in convertible currencies, and where, consistent with global economic practices, they are only supporting the exportation of agricultural and food industry products. And what must be obvious by now to everyone, discontinuation of the subsidies is not a matter of settlement and of fiscal techniques. Discontinuation of subsidies would exert significant political and social effects.

The reduction of subsidies, the discontinuation of contingents, and the freeing of enterprise activities in each others' markets can lead to a situation in which the

remaining differences between convertible currency trade and trade with the Soviet Union may be managed largely by exchange rate policies. Only a kind of blindness which endeavors to achieve uniformity at any price could regard this as a factor that cannot be adapted in the framework of macroeconomic regulations. Or could it be that this is not the issue? Could it be that our soul belongs to the IMF devil?

The question for which we must find an answer is this: What should be done with those branches of Hungarian industry which are able to sell their products only on the Soviet market, and even for that require subsidies; further, what should be done with our agriculture which is capable of selling a significant part of its surplus only on the Soviet market? These issues veil a real dilemma.

British Lessons

The popular response to these questions is as follows: Let us introduce free trade in the Hungarian-Soviet relationship; then Hungarian exporters that are not competitive on the Western markets will soon be squeezed out, they will go bankrupt, and they will not even need budgetary support any longer; on the other hand, those which survive competition will make up the loss. This response, however, offers only the semblance of a solution, one that is uncertain, and absolves economic policy making from its responsibilities.

In my view our topic may also be viewed in a larger context. Thatcherist monetary policies characterized by increased stringency have been in the forefront of Hungarian economic policy for quite some time. One cannot doubt the validity of these policies, because this is the best method by which the condition of economic irresponsibility and a permanent excess demand can be reduced. My objection pertains to the one-sidedness of economic policy: to the fact that monetary restriction was not coupled with concepts by which the various branches should be developed.

Advocates of monetary restriction who follow the British example cannot disregard the fact that the British economic miracle came to an end toward the end of last year, and that Thatcherism has failed. Thatcherism invokes as its final merit the fact that it created a monetary revolution in Central-Eastern Europe.

"Consistent" monetarists now accuse Margaret Thatcher of the fact that she did not make her "revolution" permanent, i.e. that she did not continue firm monetary policies when the British economy showed the first signs of becoming overheated in 1985. In practice this would have meant that she would have made permanent the level of unemployment which at that time exceeded 3.5 million. In contrast, the "structuralists," her critics in Cambridge, accuse her of having neglected the development of the processing industry, and that the increased demand that presented itself from the wage and services side was not met by an adequate supply that should have been provided by the processing industry. For this

reason the balance of payments fell apart, the pound sterling lost value, inflation increased, and interest rates went up.

There is no question as to which of the two lines of critique we must agree with, and as to matters that apply to us. The illusion of one-sided monetary regulation is doomed. Drawing up concepts for the development of various branches cannot be spared, because, as we see, the market—and thus trade based on free foreign exchange—cannot replace structural policies even in a country where a market exists.

POLAND

Chances for Zloty's Stability, Exchange Rate Discussed

90EP0297A Warsaw PRZEGLAD TYGODNIOWY in Polish No 2, 14 Jan 90 p 4

[Interview with Janusz Sawicki, deputy minister of finance, by Maria Dunin-Wasowicz: "An Exchange Rate for a Purpose"; date and place not given]

[Text] [PRZEGLAD TYGODNIOWY] The zloty is finally convertible, although only internally. It is too bad that this rate, 9,500 zlotys for a dollar, is not the market rate.

[Sawicki] Why isn't it the market rate?

[PRZEGLAD TYGODNIOWY] Because it does not correspond to the actual value of the zloty.

[Sawicki] We did not pull it out of the air.

[PRZEGLAD TYGODNIOWY] In view of that, can you explain to me the economic justification for the current rate of exchange?

[Sawicki] That reminds me of a certain anecdote connected with the opinions of Dillon on the possibility of granting Poland a loan in 1926. At that time the Poles asked the identical question: At what level should the rate of exchange be established? The reply was as follows: At the level at which it would cause the least confusion in the economy. The exchange rate of 9,500 zlotys to a dollar was not dreamed up—it was calculated. Please remember that at the end of last year we had an entire range of exchange rates, beginning with the official rate, going on to the auction rate in the Commercial Bank, and the auction rate in the Export Development Bank. I am not counting the currency-exchange counter rates and the "bidding and asking exchanges" because they pertained to transactions between individuals, i.e., capital transactions. Based on the different bank exchange rates, an average was calculated, a "weighted" average, which took into account, of course, the number of transactions conducted at a specific rate. To this average was added the amount of the abatements granted by virtue of export, converted to a dollar. The obtained rate

of exchange, in view of the anticipated inflation during the first period of stabilization, was revised by precisely this amount.

[PRZEGLAD TYGODNIOWY] Therefore, it is not enough that the exchange rate is not a market rate, it is also higher than it should be.

[Sawicki] That is the matter of a definition of a market exchange rate. In the Western economies it is established on the foreign exchange market. In our case, despite the fact that we are a long way from a foreign exchange market, we must try to select a rate which will balance supply and demand for convertible currencies. Therefore the exchange rate is not a market rate in the literal meaning of the word at the start, i.e., at the beginning of January 1990. From the economic standpoint, keeping in mind the basic purpose of the program, which is to stifle inflation, the most rational solution is to immediately accept a lower rate of exchange for the zloty, i.e., a higher rate for the dollar, and wait until it reaches its real value, i.e., the market value, at which it will not be stable.

[PRZEGLAD TYGODNIOWY] But wouldn't it have been better to apply a variable exchange rate, depending on how the situation develops?

[Sawicki] Please believe me, all concepts of exchange-rate policy were considered. But from the very beginning of our discussion with IMF it was decided that as constant an exchange rate as possible should be established. It is a fact that we are starting with an overvalued zloty, but we are doing this so that the exchange rate will be an anchor for inflation. A variable rate, which under our conditions would have to be continuously adjusted, e.g., each week in January, would not fulfill this role. It would constantly stimulate inflation. Such a large devaluation—over 50 percent, is something of a shock, but the stable rate of exchange that results from it will not produce new inflationary stimuli in the period that follows.

[PRZEGLAD TYGODNIOWY] That is, we can expect that at least until the end of January the exchange rate will be stable?

[Sawicki] And it should be stable as long as possible. Assuming that it will stabilize inflation in January, February, March and April. It would be well if until the rate of inflation falls to the single-digit level, 4 or 5 percent per month, the exchange rate would be at least stable, if it cannot be flexible. Then, when economic conditions are more favorable, the exchange rate can be devaluated. But this does not mean that this will occur in relation to price inflation. Since we have decided on the first step, we must consistently strive for a market economy. Therefore, the exchange rate should reflect changes in labor productivity. The more productive Polish society is, the more expensive the Polish zloty will be.

[PRZEGLAD TYGODNIOWY] But the exchange rate could fall, if...

[Sawicki] ...if inflation were negative, meaning that if prices began to fall. As we know, prices in January, February, etc., are supposed to increase approximately 45 percent, therefore a drop in the exchange rate is not realistic.

[PRZEGLAD TYGODNIOWY] In addition to the official rate, the currency-exchange counter rate also has the right to function. Does the state intend to influence this rate? Is this at all necessary?

[Sawicki] Basically the currency-exchange counter rate should not be connected with the current official rate. But on the other hand, everything that is happening or will happen on the counter market is regarded—at least we would like it to be—as a kind of barometer as to the correctness of the income policy, fiscal or monetary. In a word, if the counter rate begins to deviate greatly from the official rate and this holds for an extended period of time, that will be a sign that something is not right.

[PRZEGLAD TYGODNIOWY] And what does the statement that exchange rates are different "for an extended period of time," mean?

[Sawicki] Indeed, since the stabilization program is supposed to produce results in 3 or 4 months, the question what is an extended period of time is a good one. The problem is that this is incredibly difficult to define. The exchange rate at the counters may fluctuate for many different reasons, totally unconnected with any rational economic premises. But after a few days it should be possible to determine whether the differences in the exchange rates are of a lasting nature.

[PRZEGLAD TYGODNIOWY] And then what?

[Sawicki] The situation on the counter market does not necessarily have to be connected with the current market. It can be assumed that the dollar on the counter market will go up because people's incomes are going up. But the growth in these incomes does not have to mean that enterprises will begin to apply pressure for a change in the official rate of exchange. Simply to the contrary, if enterprises, despite taxes, pay high salaries then they will weaken their own financial position, and therefore their demand for dollars will not increase. But if the situation were the reverse, then the defense of the rate of exchange will have to begin with a change in the interest rate and a determination that there is no unaccounted-for outflow of money. But if despite everything the pressure to reduce the exchange rate continues, then recourse to use of reserves is unavoidable. Except that they cannot be completely exhausted. But if even putting reserves on the market does not produce the anticipated results, the policy will have to be reviewed and the exchange rate changed to the extent necessary.

[PRZEGLAD TYGODNIOWY] From the Polish viewpoint, a change in the rate of exchange can be made by

the government, independently. But the question arises: what does the IMF, which maintains an exchange rate policy governed by its own internal regulations, have to say about this?

[Sawicki] We have established certain rules of operation with IMF. They were defined in a letter of intent. This is a kind of agreement, therefore. If we want to change it, it will have to be negotiated.

[PRZEGLAD TYGODNIOWY] But we have to return to the question: Are interventions in currency-exchange counter turnovers anticipated?

[Sawicki] They should not be anticipated.

[PRZEGLAD TYGODNIOWY] That means, they are anticipated or not?

[Sawicki] No. Counter turnovers should balance themselves. On the one hand, they should remain within the limits of the population's dollar supply, and on the other hand they should guard against too large an amount of zlotys on the market, a possibly defective system of prices or a system of prices in sales in domestic export. As I said, this market can really only operate upwards, i.e., to raise the exchange rate of the dollar.

[PRZEGLAD TYGODNIOWY] Thus convertibility will be introduced on several levels...

[Sawicki] ...no, that is not so. We must stop thinking in terms of a legal entity or an individual. The new exchange-rate policy is based entirely on the fact that the operations are divided only into current operations and capital operations. And for these operations, except for the counter market, only one bank exchange rate governs. Therefore, we are dealing with two exchange rates and the liberalization of regulations for current turnovers. However, capital transactions are restricted, while the regulations for the population are practically unchanged. The acceptance of an exchange-rate policy, the foreign-exchange law, envisages that the state will in no way disturb the foreign-exchange funds held by the population. Anyway, it makes absolutely no sense to try to solve this problem by administrative methods.

[PRZEGLAD TYGODNIOWY] Therefore, we should discontinue sales in domestic export.

[Sawicki] More precisely: stop selling for dollars in Poland. I insist on stating this precisely because I do not want anyone to think that shops selling imported articles will be closed. Because the most important problem is dual currency and the unknowns in the economic program which stem from this. We do not know how the people will behave, whether they will sell the dollars which constitute 70 percent of all of the savings. It is hard to predict how the enterprises will actually behave, and what will happen as time goes on. There are no ideal programs, programs without perils.

[PRZEGLAD TYGODNIOWY] I would say that in every program there are holes. And in this program they have to be wages.

[Sawicki] If we judge their size from the standpoint of inflation. And if inflation does not fall, as is envisaged, then the question arises what to do with the rate of exchange and the exchange-rate policy. Yet the exchange-rate and balance of payments policy was designed so as to assist in reducing inflation.

[PRZEGLAD TYGODNIOWY] And if this policy has to be changed?

[Sawicki] That is really a question on the order of "what should be done if the program fails?" And that is a subject for a completely different interview.

YUGOSLAVIA

Envoy Notes Desire to Expand Cooperation With Gabon

34190040X Libreville *L'UNION* in French 9 Nov 89 p 7

[Article by Ndong-d'Akomayo]

[Text] The Yugoslav ambassador, Mr. Cedomir Strbac, and the president of the CES [Economic and Social Council?], Mr. Alexis Mbouyi-Boutzit, talked yesterday about cooperation and the chances for expanding it. Areas as diverse as commerce, technology transfer, and transportation were the likely candidates for greater attention in Gabonese-Yugoslav relations.

Ambassador Cedomir Strbac began by assuring his partner of his country's special interest in Gabon's currently very inadequate highway system. In this connection, he announced the availability of Yugoslav firms for continuing their participation in our country's public works projects.

Expressing the desire for more regular relations with Gabonese officials, the chief of Yugoslavia's diplomatic mission in Libreville said there was also reason to spotlight commercial trade, which has fallen off considerably since 1988. To set it rolling again, Mr. Cedomir Strbac said Yugoslavia, the country of independent socialism, was ready to export necessities and rolling stock to Gabon at competitive prices.

After presenting the Economic and Social Council to the Yugoslav diplomat as an institution created for improving conditions for the understanding and exchange of ideas among all economic forces in order to develop the country, Mr. Mbouyi-Boutzit responded by briefly outlining the priority the government now assigns to road construction and maintenance.

His organization supports and will support all efforts to improve our communication routes. He indicated to Mr. Cedomir Strbac that all Yugoslav proposals in this vein will be welcome.

The CES president thanked his guest and Yugoslavia for its contributions to the Gabonese Republic, notably the 12-March Palaces, the Libreville City Hall, and the road system for Oyem, which to him symbolize the presence of Belgrade

in Gabon. Mr. Mbouyi-Boutzit concluded with the wish that the Socialist Republic of Yugoslavia participate, in spite of unfavorable economic conditions, in mineral research and mining and in large dam construction.

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